

Austria	Sch. 18	Denmark	DK 2500	Portugal	Esc 100
Belgium	Bel. 100	France	FFr 100	S. Africa	Rand 100
Canada	Can. 100	Germany	DM 100	Spain	Ptas 100
Czech	Cz. 100	Greece	Dr 100	Sweden	Skr 100
Denmark	DK 2500	Italy	Lira 100	Switzerland	Sfr 100
France	FFr 100	Japan	Yen 100	Taiwan	N.T. 100
Germany	DM 100	South Korea	Won 100	Turkey	Lira 100
Greece	Dr 100	Thailand	Baht 100	U.S.A.	Doll 100
India	Rs 100	West Germany	DM 100		
Indonesia	Rp 100	Poland	Zlot 100		
Italy	Lira 100	Portugal	Esc 100		
Japan	Yen 100	S. Africa	Rand 100		
South Korea	Won 100	Spain	Ptas 100		
Thailand	Baht 100	Sweden	Skr 100		
Taiwan	N.T. 100	Switzerland	Sfr 100		
Turkey	Lira 100	Taiwan	N.T. 100		
U.S.A.	Doll 100	Turkey	Lira 100		
		U.S.A.	Doll 100		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday October 30 1985

No. 29,766

Dutch resistance to cruise missiles crumbles, Page 2

D 8523 B

World news Business summary

UK sets up spy case inquiry

The British Government announced an independent inquiry into the Cyprus secrets case, in which eight servicemen were acquitted of Official Secrets Act charges in the UK's longest and most expensive spy trial, estimated to have cost £10m.

Prime Minister Margaret Thatcher, promised a full report to parliament after consultations with the chairman of the Security Commission.

She revealed that the case was referred to the Security Commission in June 1984 because of the gravity of the apparent breaches of security. The inquiry will look into the conduct of investigations by the Royal Air Force and Army police. Page 11

Indian spy charge

India was hit by a new spy scandal when businessman Rama Swarup was charged with passing secrets to Israel, West Germany, Taiwan and several unnamed countries.

Bhutto 'freedom'

Pakistani opposition leader Benazir Bhutto is expected to be freed from house arrest in a few days so that she can go to France for an inquiry into the death of her brother, police officials said.

Bombay clash

About 2,000 striking taxi drivers clashed with police in Bombay. At least 15 officers were injured.

Rebels kill two

Maolai rebels in Peru burned an Indian hamlet and executed two peasants said to be collaborating with the army in an attempt to halt defections from the Sendero Luminoso guerrilla movement.

Nigeria reviews case

Nigerian military authorities said they were setting up a panel to review the case of former President Shehu Shagari, who has been under house arrest since his overthrow by the army in 1983.

Students 'tortured'

South Korea opposition leader Kim Young-Sam accused the authorities of torturing some of the 26 students arrested on charges of trying to topple the Government.

Sakharov move

Yelena Bonner, wife of banished Soviet physicist Andrei Sakharov, has been given permission to leave the Soviet Union for medical treatment, Soviet journalist Victor Louis said. Page 2

Dublin kidnapping

The wife of a senior American Express executive in Dublin was kidnapped by an armed gang and held for ransom for the second time in 18 months.

Victory for Doe

Liberian military ruler Samuel Doe was declared the victor in a presidential election which his opponents said was marked by intimidation and widespread irregularities. Page 3

Indonesia astronaut

Indonesia named a woman scientist as its first astronaut. She will take part in a U.S. space shuttle mission next year.

Times editor dies

Charles Douglas-Home, editor of the Times of London, died aged 48 after a long illness. Obituary, Page 11

Piggott's farewell

Lester Piggott rode his 4,349th and last winner - Last Chance - on a British race course. He plans more riding in the U.S. and Australia before retiring after Christmas.

M & S leads London to peak

A FRESH influx of investment funds swept many London shares to new peaks, with Marks & Spencer's better-than-expected interim results providing a further boost.

The FT Ordinary Share Index closed up 12.1 at a record 1081.3, compared with the previous high of 1051.8 reached on October 24 1985.

The FTSE 100 gained 16.5 to 1384.4, overtaking the October 24 peak of 1349.8. Page 38

Marks & Spencer's pre-tax interim profits were 22 per cent up at £137.1m. Page 20; Lex, Page 16

WALL STREET: The Dow Jones industrial average closed up 8.74 at 1,368.73. Page 34

TOKYO stocks turned lower in lacklustre trading. The Nikkei market average lost 23.12 to 12,913.92. Page 34

DOLLAR lost ground in London, closing at DM 2.621 (DM 2.643), SfrFr 2.149 (SfrFr 2.167), Ffr 8.0025 (Ffr 8.055) and Y212.3 (Y213.5). On Bank of England figures, the dollar's exchange rate index fell from 130.5 to 130.3. Page 27

STERLING gained 75 points against the dollar in London to close at £1.435. It was lower, however, at DM 3.7625 (DM 3.7725), SfrFr 3.085 (SfrFr 3.0925), Ffr 11.485 (Ffr 11.4975) and Y304.5 (Y304.75). The pound's exchange rate index rose to 80.8 from 80.5. Page 27

GOLD in New York the Comex December settlement was \$329.3 fell 75 cents on the London bullion market to \$328.00 and was down 20 cents in Zurich to \$328.55. Page 26

BRITAIN'S manufacturing companies reported that the outlook for industry's costs was the best for 18 years, but said business confidence had weakened and export orders had levelled off. Page 12

TRAVEL companies in Britain continued their avalanche of price cuts for package tours as the head of the country's travel agents' federation, expressed alarm about the financial consequences for the industry. Page 12

CHANNEL TUNNEL Group, one of four competitors for a contract to build a fixed link between Britain and France, said it had received provisional commitments of up to £4.2bn (\$6bn) in development loans from 31 international banks. Page 16

MASSEY-FERGUSON, Canadian-based farm-equipment group, is to invest a further £80m (\$55m) in its tractor plant in Coventry, England, but up to 500 jobs are likely to be shed because of increasing automation. Page 12

SAFETY STORES, U.S. supermarket group, is to raise \$40m with a £100m issue of "deep discount" stepped-interest loan stock, a new form of bond in the British market. Page 16; International Capital Markets, Page 17

KOHLBERG Kravis Roberts, the Wall Street investment firm, sweetened its cash-and-paper leveraged buyout bid for Beatrice Companies, the U.S. food and consumer products group, by \$2 a share to \$47 a share, or a total of \$5.12bn. Page 17

ALLIED-LYONS attacked a consortium of banks, led by Citibank of the U.S., which is involved with the Australian brewing company Elders IXL in a £1.6bn (\$2.5bn) takeover bid for the British food and drinks group. Page 21

STANDARD CHARTERED, international bank based in London, is to reduce its stake further in its South African affiliate Stanbic from 42 per cent to 38 per cent. Page 21

XEROX, the U.S. office equipment group, posted a \$15m third-quarter loss after taking previously announced charges totalling \$194m related to the restructuring of its Xerox and Forster insurance subsidiary. Page 17

PIRELLI and IRI are to launch a \$500 joint venture company in the building security sector with an initial capital of \$4.5m. Page 17

Tin talks continue as LME seeks £50m crisis fund

BY STEFAN WAGSTYL IN LONDON

THE INTERNATIONAL Tin Council, meeting in London, will today resume its emergency session called in the wake of the collapse of the world tin market.

Members of the producers' and consumers' price pact last night adjourned after six hours of talks to consult their governments about plans to refinance their efforts to control tin prices.

The London Metal Exchange, the world's leading metals market, has tried to restore confidence in its market-place by asking traders with outstanding LME contracts to lodge a total of over £50m (\$71m) against possible losses.

In other developments, Bolivia has warned that the threat to the value of its tin exports is desperate. In Brazil, a fall in shares in the leading tin producer has hit the São Paulo Stock Exchange, and in Britain, Members of Parliament representing Cornwall have pressed the Government for action to secure the future of the country's tin mining industry.

Delegates of the 22 ITC members met yesterday behind closed doors to review the crisis, which blew up last week when the ITC announced that it had run out of money to support tin prices and trading was suspended on the London Metal Exchange.

After the meeting, delegates said they were determined to keep the ITC going and to honour its obligations. But some warned that it would take time for governments to approve extra finance and any decision to lower the tin price to levels where it is more easily defended. One delegate said that yesterday's meeting had not considered a single concrete proposal.

Fears that the ITC might not reach a settlement - at least not by the end of today, when the emergency meeting is scheduled to finish - were reinforced by comments made by Datuk Paul Leong, Primary Industries Minister of Malaysia, the largest producer.

He warned that the London Metal Exchange should consider the possibility of a tin market without the intervention of the ITC's buffer stock manager (who controls the price support schemes) in the near future.

Datuk Leong said the world tin surplus meant it was no longer possible to defend prices at current levels.

Malaysia and other producers are concerned that adding to the ITC's stockpile of some 62,000 tonnes of tin, worth just under £50m (\$71m)

would only encourage non-ITC producers, including Brazil and China, to step up production.

At the London Metal Exchange, where tin trading has been suspended at least until the end of today and possibly until Monday, the ruling board and committee has attempted to restore confidence by asking the 14 ring-dealing members with outstanding contracts with the ITC to pay security deposits of £1,000 for each tonne of metal involved.

Mr Michael Brown, chief executive, said that all 14 had met this request to the board's satisfaction.

These traders have paid up just over £50m, or an average of more than £3m each, to cover contracts for a total of some 52,000 tonnes of tin. Assuming that the tin was bought at an average of £9,000 a tonne, the total ITC debt to cash change members is about £470m.

The potential loss would then be £50m for every £1,000 the price falls below this figure. It was suspended at £3,140 on Thursday.

Despite the assurances of the exchange's authorities, some traders are taking no risks, refusing to take

Continued on Page 16

Future of LME; Banks' involvement, Page 26

London SE bid to avert foreign split in market

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

THE LONDON Stock Exchange is expected to discuss the possibility of setting up an international securities exchange with foreign banks and brokers operating in London.

A meeting of the 52 members of the ruling council yesterday attempted to devise a policy for the exchange that would prevent a fragmentation of the central market in securities in the UK at a time when sweeping regulatory reforms are planned for London's financial community.

It decided yesterday that it should establish a wide-ranging self-regulatory body so that many different types of securities dealers will be encouraged to become members.

It will also lower the cost of entry for new members, although no details were finalised yesterday or amounts agreed.

Sir Nicholas intends to make a policy statement on the exchange's plans on Thursday.

Yesterday's debate took place as controversial plans for the future of the exchange were being drawn by Sir Kenneth Barrill, chairman of the Securities and Investments Board, which is to be the main regulatory body of the financial community.

The board will be able to authorise investment businesses directly. Alternatively, firms may gain their authorisation through self-regulatory organisations. In addition, the board will be able to recognise investment exchanges that would regulate markets, provide support services to the practitioners and establish rules for market-making.

The exchange intends to be both a self-regulatory organisation and a recognised investment exchange in the new supervisory environment. The Securities and Investments Board's preliminary plans anticipated that companies supervised by the International Securities Regulatory Organisation would participate in three types of recognised exchanges - the stock exchange, an exchange for dealing in Eurobonds

Continued on Page 16

Takeover policy outlined, Page 11

Britain to get 'surprise' £7m bonus on EEC budget refund

BY QUENTIN PEEL IN BRUSSELS

BRITAIN is about to achieve a remarkable budgetary feat in the EEC, in defiance of its normal status as a heavy net contributor.

Next year, the UK Government is set to get back in refunds a bonus of some £7m (\$9.9m) more than a £148m extra payment it is making to the Community budget this year.

British ministers have remained noticeably reticent about this small windfall, even in the face of sharp attacks by Conservative Members of Parliament in the House of Commons last week about the level of UK contributions to the EEC budget.

Apparently, the Government preferred to take this punishment rather than to risk alerting other member states, which might then have caused a row at the Community finance ministers' meeting on Monday.

All remained calm, however, and the ministers endorsed a payment to the UK to be made next year of £264m (£155m). No one seemed to want to take issue with the fact that this is more than the £253m (£148m) extra budget contribution which needs to be offset.

The anomaly results from a quirk in the complex formula agreed at last year's Fontainebleau summit providing for a regular two-thirds reduction in Britain's net payments to the Brussels budget.

While budget experts can justify the windfall with the use of arcane mathematical formulae, the French Finance Minister, for one, wanted to avoid stoking up a demand for public explanations. Ministers made no move to insert Britain's

payment into the 1986 budget for fear of a reaction in the French national assembly which will be debating the EEC budget next week.

The French deputies will be asked to ratify the Community move to increase national contributions from the present 1 per cent VAT ceiling to 1.4 per cent, a decision to which the British rebate is inextricably linked.

Any uncomfortable reminder about the way the Fontainebleau formula works, predictable or unpredictable, would not help that debate. So the ministers agreed that the money was theirs - but instructed the European Commission not to ask for it until next September, when it will have to submit a late amendment to the budget.

New EEC unit trust rules, Page 16

Chicago Pacific acquires Hoover for \$532m

By Terry Dodsworth in New York

HOOVER, the 77-year-old company whose name is virtually synonymous with vacuum cleaners, has agreed to a \$532m takeover in a further shakeup of the U.S. household products industry.

The Ohio-based group announced yesterday that it had signed a definitive agreement on a cash tender offer of \$43 a share from Chicago Pacific, a former railway company. Agreement came only two weeks after Chicago Pacific, which used to be known as the Chicago Rock Island and Pacific Railroad, made an initial offer at \$40 a share.

Hoover has given Chicago Pacific the option to acquire almost 16 per cent of its shares in a deal which is designed to ward off alternative offers. The company added that all the Hoover board members, who are believed to own about 10 per cent of the company, had expressed their intention to tender their shares to Chicago Pacific.

Since the bid was announced, Hoover shares, which had traded as low as \$24 1/2 over the last 12 months, have consistently changed hands at more than the price of \$40 placed on them originally by Chicago Pacific. The vacuum cleaner company made it clear from the start that it was prepared to accept a higher bid, by asking its advisers, the Lazard Freres investment bank, to "explore all alternatives which may be available to maximise value."

In hectic trading yesterday, the shares jumped 1 1/4 to \$43 by mid-afternoon.

Chicago Pacific, a cash shell after the sale of all its railway properties over the last few years, gave no indication of what it intends to do with Hoover. But its takeover comes at a time when the U.S. household products sector is going through a phase of aggressive rationalisation.

Only last year, Black & Decker, the hand tool manufacturer, acquired General Electric's small kitchen appliance division. Whirlpool, one of the leading large kitchen equipment manufacturers, is currently trying to take over Dart & Kraft's dishwasher division. Foreign producers, particularly the Japanese Matsushita concern, are also pushing into the U.S. market.

Chicago Pacific, which is run by Mr Harvey Kapnick, former chairman of accountants Arthur Andersen, and which was carrying cash of around \$256m at the end of June, has only recently emerged as a company aiming to expand through takeovers. Last year it launched an abortive \$1.6bn bid for Tectron, the Connecticut conglomerate.

Continued on Page 16

Takeover policy outlined, Page 11

Banks call for negotiations on Baker plan

BY STEWART FLEMING IN WASHINGTON

REPRESENTATIVES of major international banks who have leapt to developing countries yesterday broadly endorsed the U.S. Treasury's initiative to accelerate growth in the Third World.

They made it clear, however, that further negotiations would be required before they could commit themselves to the increased bank lending called for by Mr James Baker, the U.S. Treasury Secretary.

The bankers in particular, want governments to play a bigger role and, by implication, to provide additional money through export credit agencies, in boosting the flow of funds to the 15 countries targeted by Mr Baker for increased lending. This is according to Mr Andre de Larosiere, head of the Institute of International Finance, a bank-owned "think tank" based in Washington.

Mr de Larosiere made clear yesterday that the institute did not have the role of negotiating with the governments either of creditor nations or debtor nations.

Mr de Larosiere said that the representatives of the 60 banks who attended the meeting at the IIF on Monday had expressed a general support for a more co-ordinated approach "to the debt problem" and for Mr Baker's proposal aimed at helping developing nations grow out of the debt problem.

Mr Baker has called for banks to increase their lending to 15 develop-

ing countries by \$20bn over the next three years and for multilateral development banks to increase their lending by \$8bn but with the International Monetary Fund continuing to play a central role in the debt problem.

Commercial bankers have clearly decided that they should take Mr Baker's proposal as an opening bid in a negotiating process with creditor governments and with the World Bank. "There is a need for more information and study, especially about the role of the multilateral development banks," Mr de Larosiere said yesterday, adding that "there is a wish for more involvement of creditor governments."

He maintained that the commercial banks had broadly maintained their share of lending to developing countries in recent years, but that official lending (outside the World Bank and the IMF) had declined and that there was a need "to restore a larger share for official, especially export credit, agency" loans.

He said that talks needed to be held by the banks with their governments and also with bank regulatory authorities "to see how new loans can be best dealt with by the regulators so there is no impediment to new lending." Discussions were needed with the World Bank

Continued on Page 16

Philips and Du Pont in laser-disc link

BY JASON CRISP IN LONDON

PHILIPS, the Dutch electrical products manufacturer, and Du Pont, the U.S. chemicals group, are forming a joint venture to exploit new optical technologies including compact audio discs, video discs and discs for storing computer data and information.

The new company, which consists largely of existing Philips operations, starts with assets of \$150m and 1,500 employees. The parent companies expect it to require \$500m for capital expenditure by the end of the decade and to spend \$60m a year on research and development.

Mr Gerrit Jeeol, vice-president of Philips, said in London yesterday that he expected the new company - Philips/Du Pont Optical - to have sales in the region of \$1bn by 1990, representing about a quarter of the world market. By then it was also

expected to have 3,500 employees in factories in Europe, the U.S. and Japan.

The two companies announced yesterday that PDO is to spend \$50m building a compact disc plant in North Carolina which will have a capacity of 50m to 60m discs a year.

PDO also starts with a 50 per cent stake in the Polygram compact disc plant in Hannover, West Germany, the largest in the world. Philips is the major shareholder in Polygram.

The intention is for PDO to take over the plant completely.

Du Pont's initial contribution to the joint venture will be a substantial payment to Philips, which is providing most of the initial assets. Neither company would disclose the sum.

Half of PDO's sales are expected to come from computer storage products by 1990.

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EUROPEAN NEWS

Greek civil servants to strike against austerity measures

BY ANDRIANA IERODIACONOU IN ATHENS

MASS STRIKES against the Greek Socialist Government's economic austerity measures resumed for a second week yesterday, after a brief respite on Monday for a national holiday.

The most dramatic is a 24-hour stoppage today by 300,000 civil servants. Public services, state schools and hospitals, courts, ports, customs and tax offices are all expected to be affected.

Teachers at private and state schools are to stay out on strike until Saturday. Post office workers and hospital staff stopped work for 24 hours yesterday.

Today's civil servants' strike has been endorsed by the Socialist majority in the leadership of their union, underlining the split which has developed

in the Socialist union movement nationally as a result of the austerity measures announced by the Government earlier in the month.

These include a two-year wage freeze and the scaling down of the system of linking wages to inflation.

A significant number of Socialist unions are committed to fighting the measures. Eight senior unionists were expelled from the Socialist party 10 days ago for supporting protest strikes. They have retaliated by lending their weight to continued labour action, and joining Communist colleagues in an attempt to depose the Socialist president of the trade union congress.

Bulgaria accuses planners and managers of inertia

BY PATRICK BLUM IN VIENNA

BULGARIA HAS stepped up its battle for higher efficiency by accusing planners and managers of inertia and incompetence.

An editorial in Rabotnichesko Delo, the Communist Party daily newspaper, said economic and planning organisations have "not overcome inertia and have continued to drift along the old patterns. Their projects have been far removed from the requirements of the new approach" adopted at a plenum of the party's central committee in February.

There has been growing concern in Sofia about the effects on the economy of problems in energy and agriculture caused in part by a severe drought. Industrial and agricultural outputs are expected to fall short of targets and criticism of management has grown.

The daily said that, one of

the planners' greatest failures was to consider only the quantity of goods produced without taking into account quality and labour efficiency. There was inefficient use of raw materials, fodder and energy.

The introduction of new technologies was "sluggish" and the maintenance of plants, "a decisive improvement of the manner of planning and investment expenditures" was needed.

Industrial production increased by 4 per cent in the first nine months of this year compared with 5.2 per cent planned for the whole of the year. Production of electricity, coal, ferrous metals and agricultural goods has been lower than in the corresponding period in 1984.

Poland eases fund raising

POLISH state-owned enterprises will be able to raise money by issuing bonds from next year as part of wider plans to restructure the economy, the government newspaper Rzeczpospolita said yesterday. Reuters reports from Warsaw.

Bonds may be sold to other state-run concerns from January 1.

Polish newspapers have commented favourably on Hungary's example where com-

panies have expanded, and built roads and amenities with funds raised through issuing shares.

Rzeczpospolita said the Government has also finalised a system of income tax reductions to promote technological progress, exports and greater economy of materials—and energy. Preferential tax concessions will be granted to enterprises exporting highly processed products. It added.

Solidarity cash ruling

THE POLISH Supreme Court ordered a former Solidarity underground leader yesterday to repay money collected by the now-outlawed free trade union that the Government claims was spent illegally, the Solidarity activist said.

At issue is 80m zlotys (\$570,000) which the activist, Mr Jozef Piniur, withdrew from a Solidarity bank account 10 days before the martial law crackdown and suppression of the union in December 1981.

Mr Piniur, said the supreme court

upheld a lower court order that he repay the money, which the Government maintains financed Solidarity underground activities under martial law.

The lower court ruled the money belonged to a new national trade federation created by the government to replace Solidarity.

Mr Piniur had appealed against the lower court ruling, made in February in the southwestern city of Wroclaw, where he lives. AP

U.S. spells out Soviet arms pact violations

By Bridget Bloom, Defence Correspondent, in Brussels

THE U.S. yesterday presented detailed evidence of Soviet violations of two major arms control agreements to Nato defence ministers meeting here in the Nuclear Planning Group.

It was described as "copious and convincing" by Herr Manfred Woerner, the West German minister. Coming only three weeks before the November 19 summit between President Ronald Reagan and Mr Mikhail Gorbachev, yesterday's presentation by Mr Caspar Weinberger, the U.S. Defence Secretary, was clearly designed to win strong support from the U.S.'s Nato allies.

The precise form of that support will only become evident with the publication today of the final communiqué. In the past, such US allegations have been greeted with considerable scepticism by some European defence ministers, but yesterday there was evident concern to paper over these differences.

The US case, which British officials said gave more details about existing charges, is that the Soviet Union has breached both the Salt 2 arms agreement and the Anti-Ballistic Missile (ABM) treaty by deploying a new intercontinental ballistic missile, the SS-25, and by building a new surveillance radar at Krasnoyarsk.

The Soviet Union says that the SS-25 is an improved version of the SS-9 and is therefore allowable under the Salt 2 agreement. However, Mr Weinberger and his officials, whose presentations are said to have included satellite photographs of great clarity (as well as a cardboard model of the Krasnoyarsk radar station), said that the SS-25 is 10 per cent longer than the SS-9 and had 32 per cent more launch power. The missile is said to have been deployed at three sites.

Herr Woerner said later that the U.S. charges should not be taken to mean that either the U.S. or other Nato countries believed that arms control agreements were not worth while or that the Soviet violations entailed the U.S. taking equivalent measures. However, it did mean that verification had to be an extremely important part of future agreements.

According to British officials, the Nato ministers yesterday gave formal approval to the detailed plan by General Bernard Rogers, the Supreme Commander in Europe, for implementing the 1984 decision to reduce by 1,400 the European stockpile of tactical nuclear weapons by 1988.

However, a decision his proposal to modernise the remaining stockpile by introducing new nuclear weapons, in return for further withdrawals has been deferred. Ministers fear that new deployment of nuclear weapons, even if accompanied by withdrawals, could give fresh impetus to the nuclear protest movement.

Ministers try to break deadlock over steel controls

BY PAUL CHEESBRIGHT IN BRUSSELS

EEC INDUSTRY ministers tried yesterday for the second time to settle the pattern of controls to remain on the steel market and the nature of subsidies to be permitted to steel companies after the end of this year.

Failure to reach agreement on the controls poses a threat to the stability of the Community steel market that is becoming increasingly serious. The key

issue is whether production quotas should remain or whether they should be progressively lifted, product by product, over a two-year transitional period.

Mr Peter Morrison, the UK Industry Minister, made clear that unless British Steel is given a larger share of quotas, the Government would block any agreement on subsidies. The UK, in any case, is against an

immediate liberalisation of the quota scheme, preferring to delay until existing subsidies work their way through the system.

West Germany, however, remained adamant that no further subsidies should be granted after the end of this year.

It has strongly opposed a Commission scheme permitting limited subsidies in order to encourage further plant closures.

At the other end of the spectrum, Greece wanted more subsidies in the form of regional aid, an argument which runs counter to the Commission view that steel industry aid should not be mixed up with regional assistance.

Yesterday, Mr Peter Sutherland presented tighter Commission proposals, confirming the use of aid for closures, but he failed to find a means of reconciling the extreme German and

Greek positions.

The Community is committed politically both to ending subsidies for the steel industry at the end of this year and to lifting market controls—the two means chosen to restructure the industry through capacity reductions and increases in productivity. But these commitments have been forgotten in the face of the industry's fragility.

Big French bank loses loan battle

By David Marsh in Paris

CREDIT LYONNAIS, the second largest French nationalised bank, is to repay early a FF 500m (\$42.5m) low cost loan granted by the Government in 1980 to stiffen its capital resources.

This follows several months of wrangling over the Finance Ministry's request that the loan—originally due to run until 1995—should be repaid early to help finance the budget deficit.

Mr Jean Delors, the bank's chairman, claimed that early repayment would harm the bank's financial structure, but government officials now say he has been overruled. The loan, which will be repaid around the end of the year, carries a low interest rate of about 5 per cent linked to the bank's financial performance.

It was granted by the previous administration under President Valéry Giscard d'Estaing to boost Credit Lyonnais' capital resources in which it had fallen behind the other two main French commercial banks.

Credit Lyonnais officials say the matter has now been "settled".

In line with the Finance Ministry's wishes that the nationalised banks should make more use of the financial markets to improve their capital position, Credit Lyonnais earlier this month raised a FF 1.5bn non-repayable subordinated note issue on the Paris financial markets carrying an interest rate linked to bond yields of about 11.75 per cent.

This follows a pattern of issuing subordinated debt already established by Societe Generale—and "Banque Nationale de Paris, the other two big French banks.

Compromise on finance for jobs insurance

By Our Paris Staff

FRENCH unemployment insurance contributions will be increased from next month as a result of a last-minute financing compromise hammered out yesterday by the Patronat employers' association and the main trade unions which run the social security system.

All the main unions except the Communist-backed CGT confederation signed the agreement reached after a 12-hour meeting which finished in the early hours. It will put up contributions by 0.35 per cent, paid for by employers and employees who share financing roughly in a 2:1 ratio.

The agreement also extends the unemployment benefit period slightly for long-term jobless. The Government is also to be asked to help reduce the resistance to the banks of FF 12bn (\$1.04bn) of loans contracted to help finance the system last year.



Road Lubbers (left) is expected finally to oversee an agreement to deploy U.S. missiles. The defiance shown by demonstrators joined here by soldiers in the 1981 300,000-strong march, has become markedly subdued in the last two years.

Laura Raun reports on the expected deployment agreement Dutch cruise resistance crumbles

EVERY FRIDAY after the weekly Dutch Cabinet meeting Mr Rijkman Groenendaal, the Prime Minister, holds a routine press conference. When Mr Lubbers faces journalists this Friday, he is expected to make an extraordinary announcement that many people have been waiting hopefully.

He is expected to say that the Netherlands will finally accept 48 nuclear missiles on Dutch soil after years of divisive opposition, delay and soul-searching.

The centre-right Government's decision virtually is assured of parliamentary approval in coming weeks as is a Dutch-US accord on the launching conditions of the U.S. cruise missiles.

The acceptance—quietly by the North Atlantic Treaty Organisation (Nato) ministers contrasts sharply with the fierce political independence and fiery peace activism that twice has delayed approval of the medium-range missiles.) But things have changed in the Netherlands, which is the last of the five European Nato partners to accept its share of the 572 cruise and Pershing-2 missiles agreed on in a 1979 Alliance pact.

The Dutch are more mellow than they were in the early 1980s when hundreds of thousands of demonstrators converged on Amsterdam and The Hague to protest against the stationing of the missiles at the Vlieland site near the Belgian border.

Only a fraction of that number gathered in The Hague last weekend to present Mr Lubbers with 3.5m signatures opposing the missiles and to register a last-minute protest.

The signatures, if verified, would represent one in five of all Dutch people. Nevertheless, no mass demonstrations have been planned for this week.

While scattered protests probably are inevitable, people generally are tired of and bored with the endless public debate while the previously spirited

and influential peace movement is enervated by years of seemingly futile efforts. The Netherlands is just too exhausted to fight any more.

The politically adroit Mr Lubbers felt confident enough to tell the anti-missile forces last weekend that the nation-wide petition probably would not change the outcome of Friday's Cabinet decision—despite public opinion polls showing that the governing Christian Democrat—Liberal coalition would lose its majority if elections were held today.

Even the dramatic and poised

signed, the Dutch would take a proportionately smaller number of their missile quota, for example half. Hopes are running high that Mr Gorbachev and U.S. President Ronald Reagan could sow the seeds of an arms-control accord at their November summit in Geneva.

Another two years of missile-base preparations would give arms negotiators time to hammer out a final accord.

This is also why Mr Lubbers will not order some of the single-warhead missiles into Weensdrecht within hours of Cabinet approval, as did Mr

more devastating. Huge demonstrations, however, do not have the appeal they had in the early 1980s when the missile question was fresh and political idealism thriving.

Mr Mient Jan Faber, the head of the inter-church peace and a driving force behind the Dutch anti-nuclear forces, contends that peace activists must emerge from the "subculture" and enter the mainstream of politics. "We can't expect that an anti-weapon approach alone will succeed—that is the fate of the past few years," he said during a peace convention last summer.

That is largely why the last-ditch efforts to halt deployment have taken the form of a petition drive. The bitter lesson of the last few years is that speeches, marches and vigils have not kept NATO cruise and Pershing-2 missiles out of West Germany, Italy, Britain, Belgium and probably Dutch soil.

The Hague has yet another trump card in its battle to convince the Dutch of the need to deploy the proposed 48 cruise missiles.

Mr Jacob de Ruiter, the Defence Minister, broached the subject within Nato two years ago and the demand for a cut in the nuclear arsenal in the Netherlands can only be expected to escalate.

This Friday the Cabinet is to announce how many of the Nato nuclear duties the Netherlands wants to drop.

The Dutch have been a peace-loving people historically—as early as the 17th century, the burger elite adamantly avoided war so as to pursue its commercial trading in an unfettered fashion.

In recent years, the Dutch Reformed as well as Roman Catholic churches have been closely involved in peace efforts. Finally, the Dutch agree that in a country as crowded as theirs—the most densely populated in Europe—nuclear missiles are particularly

widely feared. The Belgian Prime Minister.

Another reason for the Government's resolve is better party discipline following the demise of an unruly rump faction in the Christian Democrats.

The Dutch would also like to restore the Netherlands' slightly tarnished credibility within Nato. Fellow Nato partners, especially those in Europe, have already borne the brunt with 143 missiles placed on their soil and feel that the Netherlands too must carry its share of the burden.

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Bail refused for former SMH chief

By Jonathan Carr in Frankfurt

COUNT Ferdinand von Galen, former senior partner of the West German bank Schroeder, Mohnke & Co. (SMH) which nearly collapsed two years ago, must stay in jail despite an offer of DM 16m (\$6m) bail put up by his family and friends.

The state superior court in Frankfurt yesterday ruled that although the DM 16m was one of the highest sums offered for bail in the country's history, there was still a danger that Count von Galen might flee the country.

The judges thus overturned, on an appeal from the state prosecutor's office, a decision earlier this month by a lower court that Count von Galen could be freed.

Count von Galen, who was 50 years old this month, was arrested in Frankfurt last December soon after arriving by aircraft from Paris. Along with three former associates, he faces trial on charges of fraud and breach of trust in connection with the near-collapse of SMH.

A consortium of German banks stepped in with a rescue operation in November, 1983, after SMH seriously over-lent to IGH—a

Scheme to link Eureka with military projects

BY DAVID MARSH IN PARIS

A PLAN to set up European military research projects linked to the Eureka programme has been put forward by a senior executive with potential uses in both military and civil fields.

But the remarks by Mr Gergorin—who was formerly head of the French Foreign Ministry's Centre d'Analyse et de Prévision (CAP) think-tank—add up to the most direct statement yet of support for a "military" Eureka.

Matra wants to participate in SDI research because it believes both that it will benefit from technology spin-offs and also that eventually European governments will be interested in developing their own anti-missile defence systems.

Matra already has experience in working with the U.S. Administration over the joint European/American Spacebus programme. The company has had regular contacts with the U.S. SDI Organisation (SDIO) this year—including a meeting earlier this month with Lt Gen James Abrahamson, the head of the SDIO—and hopes to win its first contracts under the programme before the end of the year.

Ironically, a report from the CAP leaked to the Press earlier this year, after Mr Gergorin left the organisation, argued against participation of European companies in SDI.

Sakharov's wife given exit visa for treatment

BY PATRICK COCKBURN IN MOSCOW

MRS YELENA BONNER, the wife of Dr Andrei Sakharov, the dissident Soviet nuclear scientist, is to leave the Soviet Union for medical treatment, according to Mr Viktor Louis, a Soviet journalist often used as a conduit for information on Dr Sakharov.

The Soviet authorities had previously refused an exit visa to Mrs Bonner, who lives in exile with her husband in the city of Gorki, east of Moscow. She wishes to go abroad for treatment to her eyes.

Dr Sakharov, exiled to Gorki in 1980, went on hunger strike last year to secure permission for his wife to leave the country.

The authorities' decision to accede to Mrs Bonner's request, if confirmed, appears to be timed to defuse the Sakharov case before the summit meeting between Mr Mikhail Gorbachev, the Soviet leader, and U.S. President Ronald Reagan in Geneva next month. President Reagan has appealed for Mrs Bonner to be allowed to travel abroad for medical treatment.

There is no indication that Dr Sakharov, aged 64, will be allowed to leave the Soviet Union. Since he was exiled he has been isolated from Western diplomats and journalists for whom Gorki is a closed city which they cannot legally visit.

In another move before the Geneva summit, the Soviet Union is reported to have offered to stop building a radar station at Krasnoyarsk

in central Siberia. This has been a subject of dispute because the U.S. says that the radar is for early warning against missile attack in breach of the anti-ballistic missile (ABM) treaty of 1962. The Soviets say the station is for space tracking.

The report of the offer by Soviet negotiators at Geneva was not confirmed in Moscow yesterday but it is in line with current Soviet policy of systematically defusing sources of tension before Geneva to ensure that arms control remains the central issue at the summit.

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OVERSEAS NEWS

Activists arrested
in Cape Town
area crackdown

BY ANTHONY ROBINSON IN JOHANNESBURG

POLICE continued their round-up of anti-apartheid activists in the Cape Town area yesterday. Those arrested included a textile trade union leader and Dr Ivan Toms, director of the Sacle clinic in the black squatter town of Crossroads who is also a prominent member of the End Conscription Campaign (ECC) which is actively campaigning to get troops out of the township.

Dr Toms was arrested in the early hours of the morning and then released after questioning and confiscation of documents. A group of 17 white Cape Town University students have also been jailed for 14 days under the emergency regulations for taking part in a demonstration outside the university.

Meanwhile, police reported five more deaths in continuing widespread township unrest, including the death of an unnamed black woman whose charred body was found in a burnt out car in Crossroads. The woman was apparently the victim of a "necklace killing," the name given to the placing of a burning tyre around the victims neck.

Elsewhere President P. W. Botha, in a by-election campaign speech at Vryburg in the northern Cape called on South Africans to rally behind the flag and show the same kind of unity in adversity shown by Britain in 1940. Vryburg is one of five constituencies where parliamentary by-elections take place today.

In Johannesburg Mr Jules Browde, a prominent advocate who is chairman of the steering committee set up to organise a "National Convention Movement" told a press conference that both the white opposition Progressive Party (PPP) and the predominantly Zulu Inkatha Movement had withdrawn from the management committee of the movement.

The decision reflected concern that close identification of the convention movement with the two parties placed obstacles in the way of attracting the broadest possible support for the movement's aim of persuading the government to draw up a new, non-racial constitution.

S Korean
police
round up
students

By Steven B. Butler in Seoul

POLITICAL temperatures are again rising in South Korea. Police yesterday swept onto the campus of Seoul National University and arrested 25 students on charges of attempting to overthrow the Government, and are still looking for 17 more.

At the same time, Korea's National Assembly has been paralysed by a dispute between ruling and opposition parties over the election of the assembly's deputy speaker.

The opposition New Korea Democratic Party (NKDP) stormed out of the assembly late Monday and has decided to boycott committee meetings, effectively bringing the work of the assembly to a halt. Floor leaders of both sides apparently have resigned.

The dispute, apparently over procedural matters, is far more serious than it appears. This autumn's National Assembly session has been stormy at best, with questions to Cabinet ministers occasionally breaking down into shouting matches across the assembly floor. But the parties have managed to keep the assembly alive as a forum for political debate, both sides apparently recognising the dangers of pushing political conflict out on to the streets.

On Monday an NKDP candidate for deputy speaker failed to receive a minimum number of required votes when most of the Government party, the Democratic Justice Party (DJP), abstained from the voting. The post of deputy speaker is customarily awarded to the principal opposition party, while the speaker comes from the government party.

On a second vote, the Government party elected a former opposition party candidate for the post whose nomination had been withdrawn after a dispute with his faction leader, Mr Kim Dae-Jung.

The vote was a slap in the face for Mr Kim, who is still legally barred from politics in Korea, but the DJP's clumsy attempt to embarrass the NKDP by meddling in its internal factional disputes increased the opposition.

Opposition leader Mr Kim Young-Sam yesterday accused the Government and DJP of being "morally depraved" over their breach of trust in the affair. Mr Kim repeated his prediction yesterday that South Korea would face a civil uprising or another coup d'état if the Government did not make democratic reforms by 1988, when Mr Chun Doo-Hwan's presidential term expires.

Some of the opposition are talking of abandoning the assembly and taking to the streets. That is not likely to happen yet.

Yesterday's arrests, adding to the at least 300 students already in jail, will add to the deterioration of the political atmosphere. The students were charged under the harsh national security laws, which allow for the death penalty.

The students, members of the "Committee for the Promotion of Democracy," are accused of furthering the political goals of North Korea by seeking estrangement between the U.S. and South Korea and calling for popular uprisings.

The Government says they manifested a number of labour incidents and the occupation of the American Cultural Centre in May. Twenty students were earlier arrested for up to seven years in connection with the occupation.



Gen Samuel Doe

Doe keeps power in Liberia

The Liberian Army was yesterday on full alert, with troops and tanks stationed at strategic points in Monrovia as Gen Samuel Doe was proclaimed President following the country's first multi-party elections two weeks ago based on one-man, one-vote, writes Peter Blackburn from Abidjan.

The Special Elections Committee called on Liberians to accept the "sincere and fair" results of the elections, which are to pave the way for a return to civilian rule at the beginning of next year, more than five years after President Doe seized power in a bloody

military coup.

Gen Doe, who is also commander-in-chief of the armed forces, obtained 51 per cent of the vote, with his National Democratic Party of Liberia (NDP) winning more than two-thirds of the seats in the Senate and House of Representatives. The President gained 255,000 of the 519,000 votes cast, nearly twice those of his nearest rival, Mr Jackson Doe (no relation), leader of the Liberia Action Party (LAP).

Mr Jackson Doe did not attend the election results ceremony. He had said earlier that his party would not

accept the election results, claiming that there had been serious irregularities in both the casting and counting of the vote.

Other earlier opposition charges involved the last-minute creation of military polling centres, imprisonment of activists and the two main presidential challengers being barred from standing.

The U.S. Congress has warned that it will withhold further aid from Liberia, the world's largest per capita beneficiary of American aid at about \$90m, unless the elections were seen to be "free and fair."

Dollar drain fuels liquidity crisis

BY PETER BLACKBURN, RECENTLY IN MONROVIA

AN ENLARGED \$100 banknote hangs in a glass frame on the wall behind the desk of Major G. Alvin Jones, Liberia's Finance Minister.

It is an unusual sight these days in Monrovia where greenbacks have become almost as rare as gold even though the dollar is still the official currency.

Payments for everything from hamburgers to Chevrolets are increasingly made in locally minted \$5 coins which are officially valued at par with American printed dollar notes. But in the Lebanese and Indian shops off Monrovia's main broad street \$100 notes can fetch a premium of up to 25 per cent, though the rate is much lower for large volume transactions.

Own cheques

Premiums are even offered for privately cashing cheques into coins. Banks are so short of cash that most will only accept their own cheques.

It has also become increasingly difficult to transfer funds abroad through bank drafts. Businessmen and traders are often obliged to operate outside the banking system and are prepared to pay a premium for

dollar notes to pay for imports or send earnings abroad.

Several factors underlie Liberia's liquidity crisis:

● Government officials point out that earnings from the country's main exports — iron ore, rubber and timber — have fallen to \$362m (£255m) in 1983 from \$464m in 1980. Expenditure, however, has remained high, especially the public payroll which absorbs two thirds of Government income.

● The bloody 1980 coup by junior army officers led by former Master Sergeant Samuel Doe provoked a crisis in investor confidence and a massive flight of capital. Although the initial panic has subsided, bankers say that each time a plane takes off from Roberts field international airport several thousand dollars leave with it. In the run-up to the October elections there has been renewed uncertainty and delays in contract payments and Government salaries.

● Illicit cross border trading in diamonds, palm oil, coffee and other farm products has resulted in a substantial drain of dollars into neighbouring Sierra Leone and Guinea.

● Hoarding by upcountry Liberian farmers has further squeezed liquidity. Even Mon-

rovia are boycotting the banks and keeping money at home.

The National Bank of Liberia has no right to print dollar notes and instead purchases and imports them when it has the resources. However, it has tried to ease the liquidity crisis by minting \$5 coins.

It has minted an estimated \$50m \$5 dollar coins in 1985 of which only about half have so far been released into circulation.

Confidence

There is no fixed ratio between dollar notes and Liberian coins and their release has been rationed so as not to destroy financial confidence.

The Government last year signed a memorandum of understanding by which it will consult the seven local commercial banks before releasing more coins. The aim of the memorandum is to impose greater fiscal and monetary discipline.

The commercial banks agreed to provide \$5m a month to help pay public sector salaries while the Government has agreed not to overdraw its commercial

bank accounts into which taxes are paid.

The six monthly memorandum is due for renewal in November but banks complain that its spirit has been broken by recent Government decrees regulating banking activity.

There is also a growing feeling in banking circles that unless urgent action is taken by the Government, Liberia will soon slip off the dollar standard. The most sensitive problem is the public payroll of about 37,000 civil servants. A \$12.5m advance payment from the foreign iron ore exporting companies enabled the Government to pay off three month's salary arrears in time for the elections.

But as one banker pointed out, the notes will disappear as soon as they hit the market. Banks will take part to cover their drafts and the Lebanese will take out the rest.

He added: "There is no more revenue. The Government has bridged out as far as possible. By January the country will be effectively on local coins."

But Major Alvin Jones has strongly ruled out any possibility of Liberia abandoning the dollar standard while Western observers say it would remove all restraint and open a Pandora's box of corruption.

Iraqi jets
raid Iranian
radio and
TV stations

IRAQ, vowing to silence what it called "the voice of lies" of its Gulf War foe, said yesterday its jets had raided radio and television stations in the Iranian city of Ilam, AP reports from Baghdad.

Earlier Iran had said its jets had attacked Iraqi oil installations in the southern part of the country inflicting heavy damage. The Iraqi raid was the first reported air strike against media installations since the war started in 1980.

Uganda ceasefire offer

Ugandan rebels yesterday offered to observe a ceasefire for the duration of the latest round of peace talks in Nairobi, but largely rejected a series of concessions made by the Government on Monday, Reuters reports.

The National Resistance Army (NRA), the main rebel enemy of Uganda's ruling Military Council, said in a statement that it had decided to suspend hostilities "in order to provide a suitable atmosphere for the conducting of these talks."

Tamils cut city's power

Tamil guerrillas cut off power supplies to Sri Lankan port city of Trincomalee yesterday by blowing up a relay station, the Defence Ministry said, Reuters writes from Colombo.

Marcos orders sale

Pressed for money to finance the fight against communist insurgents, Philippine President Ferdinand Marcos has ordered the immediate sale of state-owned companies and private property foreclosed by government financing institutions, the government said yesterday, AP reports from Manila.

Income from the sale will be used to finance the 1.4bn pesos worth of arms and other supplies needed by the military, the palace said.

Jordan, PLO paper over
cracks on peace initiative

BY OUR MIDDLE EAST STAFF

JORDAN and the Palestine Liberation Organisation appeared yesterday to have papered over their differences but gave no indication of fresh moves to carry forward the Middle East peace process.

During several hours of talks on Monday night King Hussein of Jordan made clear to Mr Yasser Arafat, PLO chairman, his anger at recent Palestinian actions, particularly the seizure of the Italian cruise liner and the failure to hold planned talks with the British Government.

An official Jordanian statement said that the talks had concentrated on ways of "avoiding a recurrence of such developments in the future."

Mr Arafat claimed, however, that the meeting had been "constructive and brotherly" and announced that a permanent joint committee would be established in order to co-ordinate future policy.

Mr Arafat brushed aside suggestions that any lasting damage had been done to PLO-Jordan relations which he

The Christian militias, the Lebanese Forces, yesterday stopped publication of a French-language newspaper sympathetic to President Arafat.

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Some of the opposition are talking of abandoning the assembly and taking to the streets. That is not likely to happen yet.

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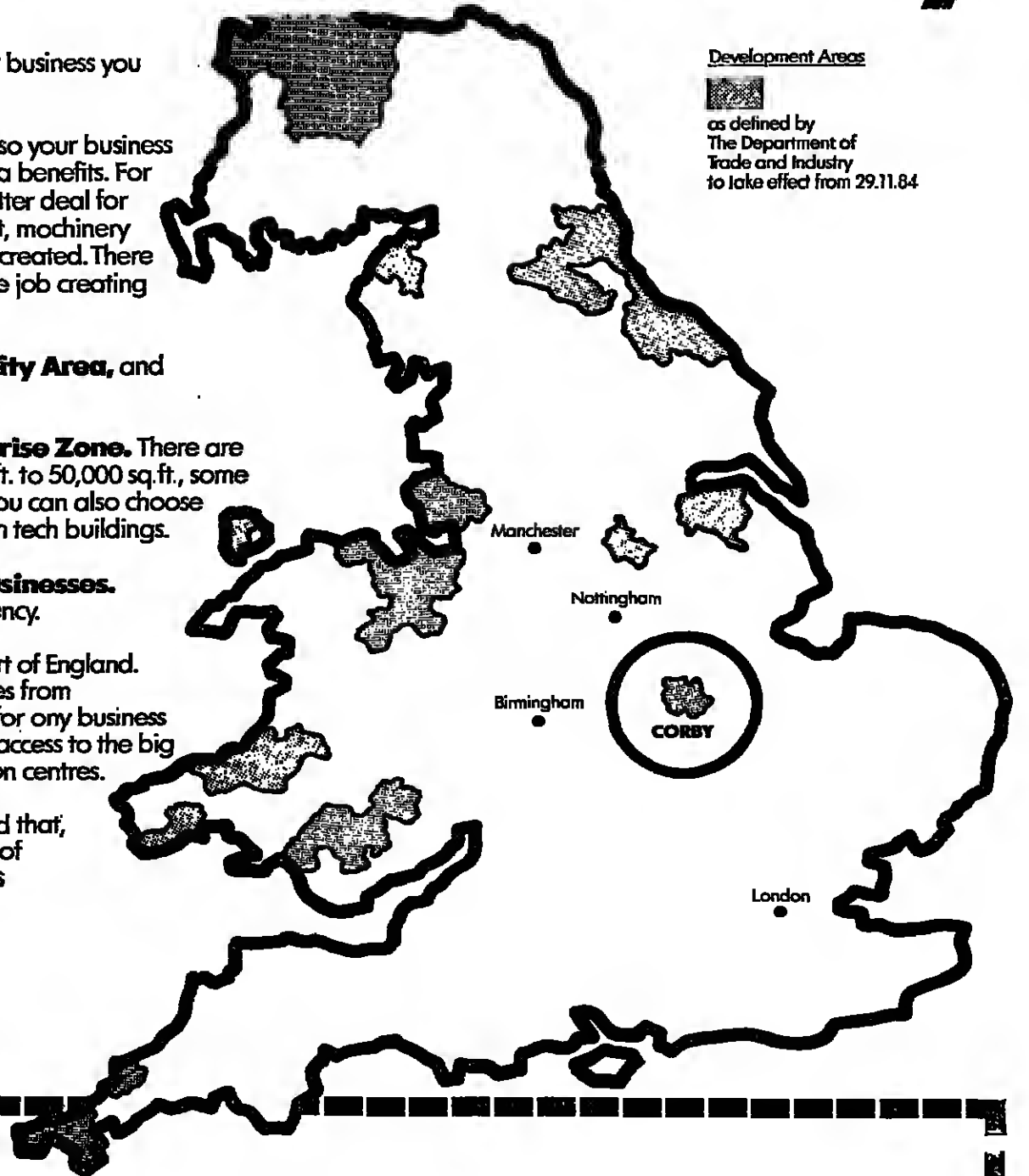
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WORLD TRADE NEWS

Airlines step up bid to recover \$900m revenues

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN HAMBURG

THE WORLD'S airlines are stepping up their diplomatic efforts to recover up to \$900m (\$662m) of revenues from passenger ticket and cargo sales blocked in countries of the developing world.

Over the past year, these efforts have enabled the airlines to get back some \$450m of their earnings that have been frozen in overseas countries. But even as those efforts have borne fruit, other countries have blocked new earnings, with the result that there is always a substantial sum outstanding.

The offending countries discovered a long time ago that raiding airline revenues was a good source of interest-free funds for other purposes.

The problem has been endemic in Africa and the Middle East, but other parts of the world are also involved, although to a lesser extent.

Some years ago, the airlines in the International Air Transport Association set up a special committee to study the extent of the problem and find ways of getting round it.

This committee has had some considerable success and is still quietly working behind the scenes, with the result that over the past 12 months, \$450m has been restored to its rightful owners.

Growing concern

"The countries of the Middle East and North Africa are causing growing concern," he said, while the situation in Africa south of the Sahara has shown a slight improvement.

"Industry efforts in those countries in the Middle East and North Africa where transfer problems exist are being intensified, although the political situation in some cases makes progress difficult."

The airlines can only employ patient and persistent diplomacy to recover their frozen assets.

Although they have the ultimate sanction of withdrawing their flights, this is regarded as a counter-productive, often guaranteeing that their money

remains even more tightly locked up.

As one airline in Western Europe, which is a particularly severe sufferer from this problem, commented: "We are in the business to promote air transport, not to reduce it."

This need to recover blocked earnings is of vital significance to the air transport industry in the light of its current overall precarious financial situation.

Revised forecasts for the overall financial results of the industry for 1986 show the likelihood of a net loss of between \$200m and \$500m.

If there is any unexpected problem or if charges, such as fuel, continue to rise, the net result could be a loss for the industry as a whole of anything up to \$1bn for the year.

Blocked earnings

In such a situation, every dollar that the airlines can recover from their blocked earnings is of critical importance.

The airlines are employing not only their own pressures on the countries concerned but are also using the resources of their governments at diplomatic level, to try to achieve what beneficial results they can.

Siemens in 'know-how' pact with Peking

By John Davies in Frankfurt

SIEMENS, the West German electronic and communications concern, has signed an outline agreement in Peking on the long-term supply of equipment and "know-how" to the Chinese.

Under the agreement, Siemens and representatives of various Chinese economic organisations will form a co-ordinating committee.

According to the West German company, the Chinese have expressed interest in a wide range of Siemens activities, but need to consider priorities and the practical organisation of such matters as personnel training.

The group received orders from the Chinese worth DM 700m (\$179m) in its financial year ended September 30, compared with orders of DM 120m the previous financial year.

With the Chinese anxious to speed up economic development with Western help, they have turned to a number of West German companies during the past few years, including Siemens, for equipment and technical "know-how."

Siemens executives believe they have good prospects for co-operation with the Chinese in such fields as engineering, electronics, telecommunications, energy, and medical equipment.

Canadair jets for Chinese

By Bernard Simon in Toronto

CANADAIR, the Montreal-based aircraft manufacturer, has sold three Challenger-601 business jets to China as part of a recent revival in sales of the aircraft.

Terms of the sale, channelled through the Chinese Government agency Poly Technologies, were not disclosed. Delivery is scheduled for summer 1986.

Xian Aircraft Co of China has made doors and other components for Canadair's CL-601 five-fighter aircraft since 1980.

The three jets are expected to be used as personal carriers by the Chinese armed forces, reflecting Canadair's efforts in recent years to clinch military and quasi-military orders. Similar sales have been concluded in West Germany, Malaysia and Canada.

Container group in HK \$2bn plan to expand terminal

BY DAVID DODWELL IN HONG KONG

HONG KONG International Terminals (HIT), the territory's largest container-handling operation, yesterday announced plans for a major expansion of the Kwai Chung container terminal. The new terminal, due to be in operation late 1989, will cost about HK\$2bn (\$186m).

The announcement comes after more than a year of bugging with the Hong Kong Government over the terms under which the new terminal will be built.

It will more than double the annual handling capacity of Kwai Chung from about 1.4m average-sized containers at present, to 3m when the new terminal is complete.

HIT, which is controlled by Hutchison Whampoa, the Hong Kong trading property and retailing group, is currently involved in a HK\$650m expansion of one of Kwai Chung's existing terminals. This project is due to be completed early in 1987.

Hong Kong's container terminal, understood to be the third-largest in the world after Rotterdam and New York, is already close to capacity. Officials keen to maintain this leading position in Asia have pressed the current operators to agree to expand facilities.

But on the other hand, have balked at the high cost, aware that their future in Hong Kong after 1987, when the territory

reverts to Chinese sovereignty, was uncertain until recently.

They argued that a decline in the volume of world trade had sown doubt over the need for expansion.

Also, they argued that the surge in entrepot trade with China—which has been largely responsible for the recent steady growth in terminal traffic—could be reversed if China's open door policy was overturned.

If the two parties had failed to reach agreement, then the Government would have been forced to consider inviting public tenders for the expansion, which would have involved delay and extra cost.

EEC to press Japan on trade

BY CHRISTIAN TYLER, TRADE EDITOR

THE EUROPEAN Commission is to launch another attack on the perennial problem of Japan's big trade surplus with the West.

A team of Commissioners, led by Mr Willy de Clercq, responsible for external relations, is to visit Tokyo early next month in pursuit of what is being called a "verifiable commitment" by Japan to increase its imports of manufactures.

In some EEC countries, like the UK and France, this commitment is understood to mean that Japan must quantify its import promotion plans, announced in April by Japan's Prime Minister, Mr Yasuhiro Nakasone. In effect, they want the Japanese Government to set firm targets for redressing the trade imbalance.

However, the idea of a target is less popular with other EEC members, like West Germany—

which itself has a big external surplus on manufactures—and Italy which suffers less than others from Japanese import penetration.

According to British officials, the mission is not designed to promote West European exports to Japan, but to address the overall problem of what is seen as Japan's failure to become import-minded.

It is recognised that Western exports to Japan cannot be stimulated artificially, and will have to be helped by changes of domestic economic policy to increase consumer demand.

It is not clear what the EEC would do if the delegation returns empty-handed, apart from reviving the EEC's shelved complaint against Japan in the General Agreement on Tariffs and Trade.

This suit, taken under Article 23, is a catch-all complaint that Japan has nullified or impaired its trading partners' benefits under the Gatt rules.

The EEC mission follows a visit by Mr Karl Heinz Narjes, Commission vice-president, to Tokyo at the beginning of this month.

It coincides with fresh efforts by Britain to co-ordinate EEC trade policy on Japan with the U.S., whose deficit on visible trade with Japan is four times larger, and running at about \$40bn this year.

The delegation is expected to include Mr Narjes, who looks after industrial affairs, and possibly Lord Cockfield (taxation and the internal market) and Mr Peter Sutherland (competition and social affairs).

The mission is a result of last week's meeting of the EEC's foreign ministers.

Saudis take loan for polyethylene plant

By Finn Rave in Riyadh

THE AL-JUBAIL Petrochemical Company (Kemra) yesterday signed a medium-term facility to borrow Sr 140m (\$35m) and \$90m.

Eight banks participated in the loan syndication for 10 per cent of the cost of the petrochemical joint venture between Exxon Chemical Saudi Arabia and the Saudi Arabian Basic Industries Corporation (Sabic). Kemra is to produce up to 270,000 tonnes a year of polyethylene. Production began in 1984. The plant produces lower-density polyethylene, but can produce different varieties of the material, if needed.

The seven-year loan facility will cover start-up costs, initial working capital, and other expenses. It follows standard Saudi financing of Sabic projects.

Plants are financed 60 per cent by the Public Investment Fund, 30 per cent by the participating banks, and 10 per cent by commercial banks.

Lead managers of the loan are Al-Bank Al-Saudi Al-Farasi of Jeddah, Gulf International Bank of Bahrain, the Saudi British Bank of Riyadh, and the Saudi International Bank.

Other participating banks are Al-Bank Al-Saudi Al-Hollandi, of Jeddah, the Arab Bank of Jordan, the Arab Investment Company (Taie) of Riyadh, and Mitsubishi Bank of Japan.

The Kenya chairman, Dr Faisal Al-Bashir, said the loan was denominated in riyals and dollars, because some of Kenya's business would be outside the kingdom, which would require dollars, and some would be purely domestic, which requires riyals.

Two years elapsed since the banks were mandated to syndicate the loan. Mr Ibrahim Salamah, Sabic vice chairman, said the delay was primarily because Kenya had mandated the loan early, and had no urgent need for the money until it came on line.

Bankers privately said that the long period between the mandate and actual signing of the syndication gave Kenya a time to train financial personnel in banking.

Reuters reports: A seven-bank group led by the Riyadh-based Saudi American Bank (Samba) has signed a Sr 150m syndication for Saudi Medical Services and its subsidiary, Saudi Charter Medical, a Samba official said.

Cairo trade bank builds up business

By Tony Walker in Cairo

EGYPT'S new Export Development Bank, which has completed its first six months of business, is finalising agreements for six enterprises with loan backing totalling about \$16m (\$11.4m) in export-related sectors. Its letter-credit activities are also building up.

The bank is set to take a 10 per cent share in a proposed General Motors car assembly and component project. Dr Hazem el-Bebawi, the bank chairman, said he was attracted to the GM proposal because it held out possibilities of significant exports of automotive parts.

Dr el-Bebawi said his priority in his first six months has been to establish a solid basis for the bank's operations.

CHINA INTENDS to increase technological ties with Western Europe in the next few months, the Chinese state science and technology commission announced yesterday.

The announcement coincides with the Peking visit of the West German Foreign Minister, Herr Hans-Dietrich Genscher, who yesterday met with the Chinese leader, Deng Xiaoping.

Deng said China encourages closer links between eastern and Western Europe because neither wanted any part of what he called the "war train."

"We know the Europeans do not want war. They hope the disaster of war will not fall on their heads."

The West German Foreign Minister briefed the Chinese leader on the Eureka programme for the development of

China to boost technology ties with West Europe

BY ROBERT THOMSON IN PEKING

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The West German Foreign Minister briefed the Chinese leader on the Eureka programme for the development of

high technology in Europe, and Deng apparently gave his imprimatur to the project.

Meanwhile, the State Science and Technology Commission's acting director, Shi Guangchang, told the English-language China Daily that China hopes to establish links with the Eureka programme and strengthen its technological ties with Western Europe generally.

"Western European countries have great scientific and technical potential and do not lag behind the U.S. or Soviet Union in qualified personnel, research or industrial development," he said.

Herr Genscher said China and West Germany have agreed to open another consulate in each other's country and are determined to increase trade and student exchanges.

Toshiba aims to double imports

BY CARLA RAPOPORT IN TOKYO

TOSHIBA, one of Japan's leading integrated electronics companies, yesterday announced plans to double its imports within the next two years to \$650m (\$464m) in a bid to help ease trade friction between Japan and the rest of the world.

Toshiba, the latest in a string

of Japanese companies to announce import promotion programmes, plans to organise a World Import Fair for its own purchasing staff, send 13 import/marketing research teams to overseas markets and open additional purchasing offices abroad.

Toshiba's plan to invite 189

foreign manufacturers to its import fair to meet some 2,000 design engineers from its various plants.

Further, Toshiba will start sending import missions abroad starting next month. The first of these are expected to make overseas purchases of some ¥10bn (\$80m).

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Thanks to its enduring commitment to research, Bayer looks to the future with confidence. Research and development activities are the bridge to success in the years ahead, and even into the next century. In fact, these activities are crucial for the very future of the company, and thus for the jobs it provides. Research is also expensive. For example: it can take as long as ten years for a new pharmaceutical product to be fully tested and officially approved. On average, only one in every 10,000 substances investigated ever reaches the market. As a result, total R&D costs for a new product amount to more than DM 150 million. Today, 40 per cent of Bayer's overall turnover is accounted for by products which were developed over the past 15 years in the company's own research facilities.

Bayer is engaged in research in many sectors of the chemical industry. Unceasing efforts are being made in search of new and better quality products to help improve the quality of life and health standards, as well as secure future food supplies. Every year, Bayer allocates DM 2 billion for research — an amount which is rather difficult to conceive, but it represents our investment in the future.

HIGHLIGHTS

- 1985 During the first six months, Bayer World turnover grew by 12.3 per cent to DM 24.6 billion. Profit before tax rose by 16.0 per cent to DM 1,725 million.
- Bayer AG turnover increased by 8.9 per cent to DM 9.4 billion. Profit before tax rose by 25.8 per cent, reaching DM 830 million.
- 1984 Turnover Bayer World: DM 43.0 billion. Share of production abroad and exports: 79 per cent.
- Turnover Bayer AG: DM 16.2 billion. Export share: 65.5 per cent.
- Bayer World capital investment: DM 1.8 billion, of which DM 915 million in West Germany.
- After-tax profits: Bayer World DM 1.2 billion; Bayer AG DM 660 million.
- Dividend 1984: DM 9 per share of DM 50 nominal.
- Total payout: DM 460 million on paid-up capital of DM 2.6 billion to some 350,000 shareholders.

For further information on Bayer, please contact Bayer AG, Public Relations Department, D-5050 Leverkusen, West Germany or Bayer UK Ltd, Public Relations Department, Strawberry Hill, Newbury/Berkshire RG13 1UA, Great Britain.

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Our in-depth local knowledge and experience built up over 80 years on the island, enables us to tailor those systems to meet the particular needs of the Manx community.

BRITISH TELECOM plc

British Telecom is not only one of the largest telecommunications operators in the world, but also one of the largest publicly owned companies in the UK, providing telecommunications products and services to over 20 million customers. Last year, turnover was in excess of £7.5 billion.

The resources and expertise of British Telecom's vast global telecommunications network are available to the Isle of Man — along with the direct benefits of a research and development programme that exceeds £180 million per annum — and the economies of scale that flow from a capital investment programme of around £2,000 million per annum.

THE MOST ADVANCED TELECOMMUNICATIONS SYSTEM FOR THE ISLE OF MAN.

With its undoubted tax advantages, prime location and the most stable government in the world, the Isle of Man is fast growing into one of Europe's major business centres. In tailoring a complete communications service to meet the many and complex needs of the Island's financial, legal and commercial communities, British Telecom have access to the most advanced technological research and resources available. The result is that the Manx business community today enjoys a range of information and value-added services equal to the best available anywhere in the world.

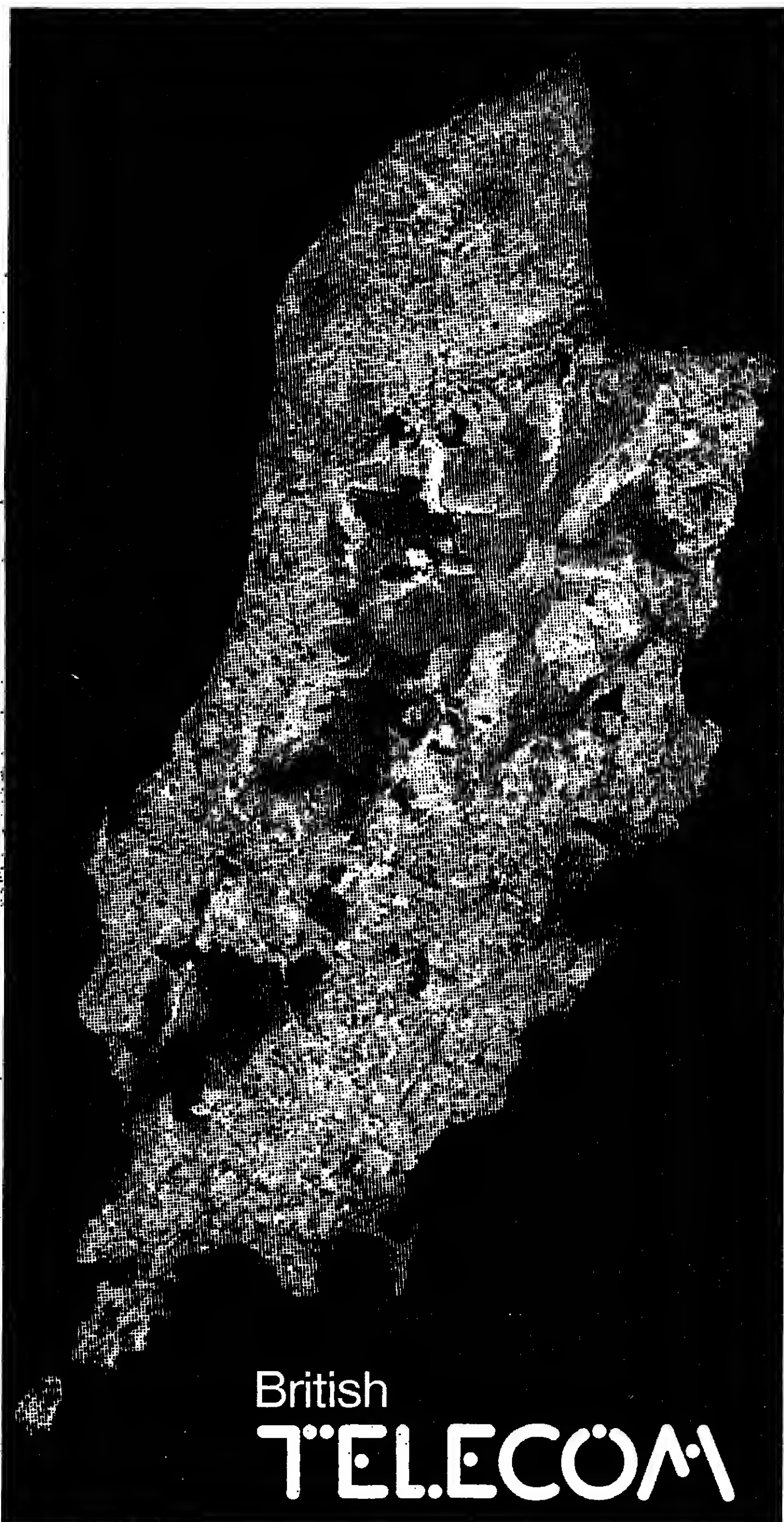
THE BEST POSSIBLE TELECOMMUNICATIONS SERVICES FOR THE ISLE OF MAN'S BUSINESS COMMUNITY.

As a major business itself, British Telecom is responsive to the needs of the Island's business community, operating and developing a comprehensive range of telecommunication services including direct dialling to over 160 countries and a complete range of international Telex facilities.

The very latest digital high-speed data transmission services are available in the Island — Megastream, Kilostream, Packet SwitchStream and Satstream. That means business users on the Isle of Man are able to pass data between computers worldwide, use video conferencing facilities and take advantage of economic transaction related processing.

The Island also has access at local call fee rate via the Prestel System to viewdata services. A computerised data base provides information on a wide range of financial, legal, travel and agricultural topics.

Other services currently available include radiopaging, Linkline (which allows trunk and international calls to be made free or at local call rate) and a wide range of value-added network services such as BT Gold, credit card authorisation and Voicebank.



British
TELECOM

FUTURE DEVELOPMENTS

British Telecom's extensive modernisation programme will keep the Island abreast of the best in the world. All the existing exchanges will be replaced by computer-controlled digital units. These will be an integral part of British Telecom's recently announced voice and information technology network — the Integrated Services Digital Network.

PRODUCTS

The range of products available on the Isle of Man is constantly being updated and improved to meet all the customer's telecommunication and information technology needs — from communicating work stations and new facility telephones to sophisticated word-processor based telex machines and advanced integrated services call connect systems.

All public phones will also be replaced by the end of next year.

LOCALLY BASED OPERATION

British Telecom has a proven track record for fast, efficient service on the Isle of Man. Because the company is locally managed and staffed by a highly skilled workforce, it is understanding and responsive to the Island's needs — ensuring a high quality of service, maintenance and repair at all times.

BRITISH TELECOM'S LONGSTANDING COMMITMENT TO THE ISLE OF MAN

As part of the community for almost 80 years, British Telecom has the local knowledge and the experience to tailor the world's most advanced telecommunications technology to meet the needs of both business and residential users on the Isle of Man.

Today, British Telecom operates 11 exchanges, provides the technological back-up for two radio stations, maintains the full range of emergency services and employs 160 mainly Manx staff on the Island.

We also maintain 1,500 miles of cable, 1,000 miles of which is hidden from view to preserve the unsurpassed natural beauty of the Island's environment.

Recognising the importance to the Island of maintaining the best possible job opportunities, most of the administrative work related to the Island's telephone service was transferred from the mainland in 1984, creating 32 additional jobs in Douglas, as well as improving the service offered to the 23,000 Manx customers.

The Headquarters of British Telecom on the Isle of Man is at Asgard House in Douglas — a brand new building, incorporating a business information centre and phone shop, displaying the full range of products and services available to customers on the Isle of Man.

With a planned investment programme in the region of £2 million per annum, we at British Telecom are fully committed to the future development and growth of telecommunications services on the Isle of Man.

We look forward to the continuation of an established, successful enterprise — one which promises an exciting future for the Manx people, their Government and British Telecom.

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British Telecom offers:

- Longstanding and continuing commitment to the Island
- Comprehensive range of services and equipment — the complete package
- Locally based operation
- Access to the most advanced technology in the world
- Planned modernisation programme to keep the Island's telecommunications system abreast of the best in the world
- Smooth transition into the future.

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AMERICAN NEWS

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Pan Am unfair, claims El Al

By Walter Ellis in Tel Aviv

EL AL, the Israeli national carrier, yesterday accused Pan American Airways of provoking "unfair competition" across the Atlantic by inaugurating its own flights between New York and Tel Aviv.

After a net loss of \$9.7m in its 1984-85 financial year, largely attributable to Israel's prohibition on Sabbath flights, El Al fears that intervention on the North Atlantic route by Pan Am will only add to its difficulties.

Projections of annual losses if Pan Am adopts an aggressive marketing strategy range as high as \$20m. Price-cutting has already been announced by both sides.

Pan Am finally secured landing rights into Israel's Ben Gurion international airport yesterday morning and plans to begin flights tomorrow. The U.S. flag carrier has been trying to add Ben Gurion to its network for some time but has run up against obstacles placed by El Al and the Israeli Transport Ministry.

El Al argues that Pan Am will be taking unfair advantage of traffic it has built up over the years. It also claims that the U.S. airline is simply trying to make use of spare aircraft and crews in Europe and is not committed to the route.

Pan Am has rejected these charges and says that it will, in fact, aid the Israeli economy by helping to build up tourism.

El Al's reply is that tourism from the U.S. is expected to drop, while the New York route is already underbooked.

Israel has been warned by the U.S. authorities that any unilateral action against Pan Am could result in retaliation in the U.S. against El Al.

Reagan pressed for response to Soviet arms offer

BY STEWART FLEMING IN WASHINGTON

SENATORS William Cohen and Sam Nunn, two of Congress's most influential experts on military and arms control issues, have publicly urged President Reagan to put forward a "positive, strategically sound and politically sustainable" response to the Soviet Union's proposal for a 50 per cent reduction in offensive strategic weapons.

In an article published in yesterday's Washington Post, the two senators warn that the "guerrilla warfare" within the Administration between those who see no benefit in dealing with Moscow except on America's own terms and those who see advantage in reaching a compromise "should not be fought, or concluded, without a wary eye being cast on Capitol Hill."

The senators say that congressional support for strategic modernisation and defence programmes "has been predicated upon good faith efforts to achieve dramatic reductions in offensive nuclear weapons." They say flaws are apparent in the Soviet proposals but add: "It is not unprecedented to find a party to a negotiation placing a heavy hand on its side of the scales. What we are witnessing (is) the dance of diplomacy, not the pouring of concrete."

While conceding that the Soviet plan is "heavily weighted" in Moscow's favour, they maintain "it remains now for the President to applaud the positive principles and seek to convert the negative components into an equitable agreement."

They warn that failure to do this will present the Soviet Union with an opportunity to "paint (President) Reagan as being inflexible and uncompromising" and so enable Moscow "to win in Western Europe, and indirectly in Congress, what they could not achieve in Geneva."

The senators say that dividing the NATO alliance is one of Moscow's major objectives. On the Star Wars Strategic Defence Initiative, Mr Cohen, a Democrat, says the U.S. should maintain a "reasonably funded research programme" (and) should discuss with the Soviets what constitutes allowable development and testing under the provisions of the ABM treaty.

Their article, which seems to be designed to put pressure on the Administration to end the internal debate and agree a clear policy for Geneva, comes amid reports that the Administration is indeed moving towards a detailed response.

Fundamental changes needed, says Volcker

MR PAUL VOLCKER, the Federal Reserve Board chairman, said yesterday that currency market intervention had been important in correcting imbalances but more fundamental changes in economic policy were needed.

He said intervention should be used in the context of a budget deficit, greater growth in other nations, and open trade and investment.

Intervention as part of a broader effort was the point made by the finance ministers and central bank governors of the Group of Five meeting last month. Mr Volcker said in a speech in Toronto.

"There has been close co-operation in recent weeks among them in encouraging some appreciation in other leading currencies relative to the dollar through exchange market intervention," he said.

But there were limits to intervention by monetary authorities, Mr Volcker warned. "Large changes in exchange rates, without dealing with the underlying sources of imbalance, are not an easy or painless solution—they carry risks of their own," he said.

Mr Volcker also said the prospect for sustaining growth and working toward lower interest rates in both the U.S. and Canada rested on maintaining progress against inflation.

This would be greatly assisted by clear and effective action to reduce the U.S. and Canadian budget deficits, he added.

U.S. urged to close Japan trade gap

SEVERAL steps are necessary for the U.S. to reduce its huge trade deficit with Japan, according to an influential economic research group, Reuter reports from Washington.

The Institute for International Economics, a liberal Washington-based "think tank," says in its latest study that the yen should be further strengthened to about 180 to the dollar, from about 213 at present.

The group also says that Tokyo should dismantle its barriers to U.S. exports and take steps to stimulate modestly its economy.

Finally, the U.S. should allow Japan to buy crude oil from Alaska by eliminating the ban it placed on oil exports in reaction to the twin energy shocks of the 1970s.

President Ronald Reagan yesterday allowed a relatively small amount of oil produced in Alaska's Cook Inlet to be sold abroad presumably to Japan. But the move did not affect the state's North Slope, where most of its oil is produced. North Slope oil cannot be sold to Japan without congressional approval.

The study estimates that the trade deficit with Japan would reach a record \$45bn to \$50bn this year, compared with about \$37bn last year.

The study says an increase in the value of the yen would reduce this by \$17bn, the reduction in the trade barriers would cut an additional \$5bn to \$6bn, while the measures to generate increased Japanese growth would be worth about \$1bn to \$2bn.

A U.S. move to allow Alaskan crude to be exported to Japan would cut the deficit by another \$2bn to \$3bn, says the study.

"Such an adjustment would be consistent with a sharp decline in the global U.S. current account deficit and would deal with most of the economic problems caused for the U.S. by its current external imbalances," it says.

The institute notes that the Group of Five industrial countries—the U.S., Japan, West Germany, Britain and France—agreed to work in concert last month to reduce the value of the dollar.

It says that before these measures were taken the dollar had been overvalued against other currencies by 30 to 10 per cent.

Veteran returns to fray in Dominican Republic

BY CANUTE JAMES IN KINGSTON

A WIDENING rift in the leadership of the Dominican Republic's governing Partido Revolucionario Dominicano (PRD) has opened the door for the return of a veteran of the country's politics.

Sr Joaquin Balaguer, leader of the centre-right Partido Reformista Social Cristiano (PRSC), is now the front-running candidate for the presidential election, scheduled to be held in May.

Sr Balaguer served three terms as president between 1960 and 1978. The revival of his political fortunes owes much to the inability of the PRD to heal a split over who should be the party's presidential candidate.

The 78-year-old former president has also seen his political stock improve with the difficulties of the administration of Sr Salvador Jorge Blanco in implementing economic changes agreed with the International Monetary Fund. Sr Jorge Blanco is not seeking re-election.

While Sr Balaguer prepares for another term as leader of the Dominican Republic, the governing party is desperately trying to heal the schism which is proving to be its undoing.

The showdown in the PRD has been caused by Sr Jacobo Majluta, a former minister in the presidency and President of the Senate whose politics have more in common with Sr Balaguer's than they do with the social democratic PRD.

In an effort to impose his candidacy, Sr Majluta has become a consistent critic of Sr Blanco, particularly of the President's handling of the economy. At one stage Sr Majluta ran half the Senate and managed to block legislation which impeded the implementation of Sr Jorge Blanco's economic policies.

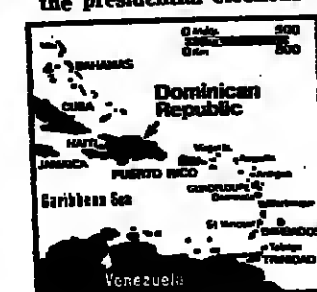
The conflict between President Blanco and Sr Majluta intensified when Sr Jose Francisco Peña Gomez, secretary general of the PRD and mayor of Santo Domingo, the capital, threw his hat into the ring. Fearing the splintering of the party, senior PRD officials, including the President, threw their weight behind Sr Peña Gomez.

The peace was short-lived as Sr Peña Gomez, a social democrat, launched a virulent attack on President Blanco's handling of the economy, apparently hoping to ride on the waves of the Government's mounting unpopularity.

PRD officials are contemplating the possibility of certain defeat for the party's candidate, whoever that eventually may be, in the face of suggestions that Sr Majluta could split the party and take his support



Balaguer... front runner in the presidential elections



Dominican Republic

ers in a new coalition with Sr Balaguer.

The former president has suggested that the Dominican Republic needs a government of "national unity" and is apparently willing to pin his hopes on his new found popularity, but he has not suggested anything to support a possible coalition with any PRD factions.

The developments on the island are likely to be closely watched by Washington. Confusion about the outcome of the elections could be an invitation for the army to intervene. The army attempted a coup after the 1978 election in which Sr Antonio Guzman defeated Sr Balaguer, and it was U.S. intervention which allowed Dr Guzman to stay in office.

In the likely event that Sr Balaguer, who is politically close to Washington, is returned to office, fears in the U.S. will be mollified. But a new president will face the same chronic economic problems which have been bedevilling Sr Blanco's last days in office.

Sr Blanco's detractors have blamed him for hesitancy in taking a firm decision on a pact with the IMF, and indulging instead in pro-

tracted negotiations while the Government's popularity was at its nadir.

At the heart of the problem was a package of \$400m in extended fund and compensatory financing credits from the IMF, access to which was ended in 1983 because the economy failed to meet the agreed performance criteria.

The negotiations with the IMF dragged through most of last year because the Government balked at implementing a 61 per cent devaluation of the peso by moving all transactions from the official rate to the "parallel" rate of about three pesos to the dollar.

The Government moved towards accommodation with the IMF last year, but the Congress blocked new budget proposals until April, when the country was granted access to a \$90m standby facility.

The administration's concern at violent public reactions to the new economic measures increased in February with street protests over the IMF measures—a reminder of three days of rioting in April 1984, which left 54 people dead.

With the new agreement, the Government has been attempting to cut the deficit in the fiscal budget to 3.7 per cent of GDP this year from last year's 5.5 per cent.

It has also been dismantling subsidies, leading to price increases of 33 per cent for petrol, 50 per cent for transport, between 25 per cent and 47 per cent for electricity and 50 per cent for a range of food items.

With a pact with the IMF in place, and the need to service a \$3.4bn foreign debt, President Blanco announced an agreement with commercial bank creditors on restructuring \$767m of the country's debts.

Sr Balaguer's initial enthusiasm at the prospect of a new term in office is likely to be dampened by fundamental problems in the economy.

The trade deficit for 1984 was \$32.1m pesos, against \$48.8m the previous year. The improvement was the result of a slight increase in export earnings and a fall in imports.

The Government had expected a decline of 2.5 per cent in the country's gross domestic product in 1984. The economy did better, growing by 0.8 per cent.

The main economic sectors, however, did not perform well. Sugar, which accounts for 40 per cent of the country's export earnings, has been hit by the U.S. decision to reduce import quotas.

Coffee production improved in 1984 to 885,000 bags.

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My daddy going to work at Mercedes
in Milton Keynes by Michael Hoskington
Age 8

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LOREN

Offshore engineering

Why ITM is running fast

BY ANDREW FISHER

"WE'RE IN a hard game," says Alf Duffield, the racehorse-owning boss of ITM (Offshore), which gave British Shipbuilders a much-needed boost this year by ordering a huge crane-ship in Sunderland.

"We've never made a quick buck," he asserts. Nonetheless, the Middlesbrough-based engineering, heavy-load transportation, and offshore group has turned in impressive results in recent years, the latest being a £3m profit on turnover of £28m.

The crane-ship, costing around £60m with all its lifting, handling and computer equipment, will be the largest mono-hulled crane vessel in the world, though an Italian company is building an even bigger one which will be of semi-submersible design.

Under Duffield, a former accountant with the Vickers group, ITM—which stands for International Transport Management—has grown in nine years from a five-man outfit with a capital of £10,000 into a group employing about 700 people and looking to reach annual sales of £100m in the next two years.

Has it all happened too quickly? Salford-born Duffield, a laconically spoken, silver-haired 48-year-old, reckons it cannot happen fast enough. "We're running fast. We've got to or the road's going to run out and we'll be too late."

"It's time for our philosophy to come true. We're gathering things quickly to us. It won't be long, a few years, before other companies, especially foreign, realise this." The philosophy centres on the ability to carry out most aspects of offshore energy and other engineering projects, without drawing heavily on foreign help.

By building the ITM Challenger crane ship at Sunderland Shipbuilders, Duffield says ITM is "adding another spoke to the wheel." The vessel, with a crane jib 21 times the height of Nelson's Column, will be able to lift 4,000-tonne loads. ITM hopes to order a sister ship in Britain next year.

Spokes in the wheel are a favourite analogy of Duffield, who is also chairman of Middlesbrough Football Club. ITM's main activities broadly cover engineering, manufacturing and marine (including under-water) work.



Alf Duffield: sees himself as the anchor man

These form the three main divisions of a new group structure which has just been put into place. Duffield owns half the shares, and two other founding directors—John Wilson and Brian Pearson—have 20 per cent each, with Alexandra Towing, the UK tug company, having the balance of 10 per cent. The crane-ship will be 75 per cent owned by ITM and 25 per cent by Alexandra.

But, stresses Duffield, the new structure will not alter the style or operations of ITM. "To increase our fighting weight," a public share flotation will be sought in two years to boost ITM's capital resources.

It is the crane-ship and the offshore ambitions of ITM, however, that mostly exercise the minds of Duffield and his five co-directors. ITM made its name by moving big loads for offshore and other projects such as the Thames Barrier. It transferred the Tudor warship Mary Rose from the recovery to the restoration barge.

ITM has also gone into under-sea cable-laying—two years ago, it ran into controversy by placing an order in South Korea for a ship to lay cable between France and the UK—and port facilities through its barge-based Flexport system used in the Falklands.

Duffield sees a great opportunity, which he says other companies have not picked up, for a UK company to develop skills in the offshore sector, and then export them.

Fifteen months ago, ITM paid £1.5m for the Head Wrightson engineering company in nearby Cleveland. The seller, Davy Group, said it would close it down without a purchaser. ITM wanted the facility, capable of high quality fabrication for the offshore, mining, process plant, and nuclear sectors, to add to its large site in Middlesbrough.

Head Wrightson, now employing 350 compared with the 150 to which the workforce had been run down before the purchase, made a £400,000 loss from the time of the acquisition.

Duffield feels that more of Head Wrightson's work should be linked to projects in which ITM is involved. Having worked on lifting, drilling, and diving, it wants to be more active in production and take a stake in marginal North Sea oilfields.

The crane ship will play a key part in ITM's offshore strategy. She will be able to lift loads at sea, as well as carry out salvage, fire-fighting and other emergency work.

The finance house had a debenture, fixed and floating on the assets of the company and had a first charge up to £60,000 plus interest. The

agency work. The competition, in a field not overcrowded at present, will be Dutch, US, and Italian.

On the drawing board is a project called ITM Victory to convert a supertanker into a crane-ship capable of lifting up to 8,000 tonnes. At the moment, though, says Duffield, "this is not being actively pursued."

The potential of ITM Challenger, for which ITM is building the crane—nearly a third of the ship's value—to a design by Clyde Cranes, will be magnified if a second ship is built, believes Duffield. The two could work together, their activities controlled by computer.

The rival semi-submersible, with a 6,000-tonne lift capacity, is being built by Micoperi of Italy. Duffield has met Dr Giovanni Mahaus, head of the Milan-based company. Co-operation on certain projects may be possible, "but our reputation has been built on providing packages and being responsible for them."

At ITM, adds Duffield, "we like to do everything ourselves." The crane ship "could be a very big earner overseas for the UK." ITM Challenger will be an advanced ship. "We intend to go into the world and compete with her."

He has strong views on the erosion of Britain's manufacturing capacity. He feels the Government has let too much of industry slide away. "We couldn't allow Head Wrightson to disappear. It's a major turning capacity. He feels the erosion of Britain's manufacturing capacity. He feels the erosion of Britain's manufacturing capacity."

Keeping key manufacturing plants going, he believes "is necessary for the survival of British industry." He feels vindicated in this view by the difficulties suffered in the electronics sector. With northern bluntness, he states: "We can't survive with silly computer companies."

ITM intends to survive by concentrating hard on the business it knows. The rolled-up sleeves approach is very much part of the ITM style. Duffield says he has only had a week's holiday in eight years.

"I feel like the anchor man who's got to be available." Very much committed to the future, growth of ITM, he describes himself as a worker-owner. "I don't consider myself as labour or capital, I'm in the middle. I work for both sides."

"PLATEAUED managers" are becoming a problem for British companies. The term is part of the jargon of the personnel industry and refers to the manager who is valued by his company but for whom there are no prospects of promotion or advancement even though his company wishes to retain him.

Coming to grips with the problem has defeated even those companies which recognise it. And the ranks of these managers have swollen enormously over the past decade of manufacturing contraction, shrinking management numbers and strangled promotion prospects.

In personnel jargon—again—the plateaued manager is a "solid citizen," part of the "boiler room," but who has reached the highest branch he is ever going to reach on the management tree. (It could be a woman who finds herself in this predicament, but the vast majority are men.)

Those who find themselves stranded in this management limbo find it generates feelings ranging from guilt to frustration and demotivation. Such a manager is likely to be in his 40s, though he could also be a graduate in his 30s with high, unfulfilled expectations.

These findings emerged in a survey of 19 companies, each employing more than 1,000 people, carried out by the Cambridge-based Industrial Training Research Unit specially for the recent Institute of Personnel Management conference.

In almost half of these companies, some of them household names, the plateauing phenomenon was seen as a "serious problem." Yet few, if any, were geared up to cope with it.

The researchers also came

Overcrowding on the promotion ladder

Nick Garnett on the background to the growing number of 'plateaued' managers

away with a strong impression that many companies actually behave in a way that is detrimental to the plateaued manager.

Such managers represent a big chunk of many companies' management talent. The personnel department of one large manufacturing and services organisation classified 39 per cent of its managers as plateaued.

In another manufacturer, over half its 400 managers had been stuck on the same grade for more than five years and were unlikely to proceed further.

Tom Glynn Jones, manager of human resources at BP, which seems to have thought about this problem a little more than most companies, told the conference that 40 per cent of its 1,350 managers are plateaued.

It must be said that while 19 companies took part in the investigation, 31 others approached did not bother. Personnel managers in a few of those that did failed to see plateauing as a problem. They appeared to be sceptical, too, among some managers at the IPM conference that it was really an issue at all for their businesses. "Many of our managers are just happy they have got a job," said one man from the National Coal Board.

But there was one other question thrown up by the seminar. The 121 personnel people attending it were asked to fill in a questionnaire about their own feelings as managers. Eighty per cent of them said they were satisfied or very satisfied with the amount of responsibility they had and the opportunity open to them to use their abilities.

The plateaued manager was classified by the survey into three groups. One was the senior/middle manager aged 40-50 who has moved up the company steadily but is now displaced from further promotion by young high-fliers.

These people are slightly frustrated and somewhat put out but "quite relieved at the chance which plateauing may give them to relax in their present job," says the report.

The second group was made up of similar people but who had bigger aspirations and for whom self-esteem was tied to their level in the company. "These people tend to be characterised by low morale, cynicism and depression."

The final group was the high-flier in his 30s who now sees that the company is not likely to deliver the rewards, advancement and eventual status he expected. Browned off, these

people are likely to pack the briefcase and clear off—which is just what the company does not want them to do.

Plateauing (sometimes also known as the "menopause" factor) occurs more in companies that are in decline and which have traditional pyramid management tiers.

It also appears to be more common in organisations relying on annual appraisal systems for assessing promotion potential and where there are no clear ideas on management succession.

Unfortunately, researchers found that companies were doing things that aggravated the problem. Many plateaued managers actually did not mind too much being in this state but were encouraged to "march up" to this for fear of being branded a slump. The corridors of Britain's biggest companies seem liberally sprinkled with such closet worriers.

One general feeling was that communications between what might be loosely referred to as "the company" and plateaued managers is poor, to the point where they are even worried to say they are not worried. Companies use appraisal systems they should use their properly, says the message.

Pedigree petfoods has a well-developed counselling service which it says it needs because a hefty two-thirds of its managers are plateaued. Howell Wilson-Price, the company's management resourcing manager, said three key features of the service were its absolute confidentiality that it was rooted in a judgement of the individual, and that people were encouraged to marshal their own resources to help themselves.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Personal guarantee

I was principal of a group of companies and to support the group I gave a personal guarantee limited to £50,000. In addition to support lending from a finance house I also gave a personal guarantee.

The finance house had a debenture, fixed and floating on the assets of the company and had a first charge up to £60,000 plus interest. The

bank also initially had a debenture fixed and floating and gave priority to the finance house for £60,000.

The bank subsequently changed the form of debenture to include the new clause. It was also going to change the finance house to which it was connected to "promote" it, as apparently there was a problem since it had given it the priority on a floating charge.

Unfortunately we had to call in the receivers to the group soon after the new debenture was signed and before the "promotion" was made.

Immediately both the bank and the finance house called on my guarantee; however, I felt secure in the assumption that both guarantees were covered.

The finance company made

no attempt to collect under its first floating charge presumably because to do so would have undermined the bank's position—indeed it has not even made a claim against the liquidation, although it is now evident there would not be any money available for unsecured creditors.

The bank collected under its new debenture, and was paid in full. I am paying the finance house.

I appreciate a guarantee is what it says but surely if the finance company could have collected under its priority charge it should do so even if it prevented a claim by the parent bank.

If the finance company had done so, it would have collected £60,000 plus approximately £5,000 interest (which I am currently pay-

ing). The bank may have had to rely on my guarantee but this was limited to £50,000. I suspect the finance house agreed with the bank not to take action.

Do you consider I have a case?

The finance company was entitled in law to choose to seek its remedy against you in preference to proceeding direct against the principal debtor. On paying out the finance company you will be entitled to stand in its shoes as against the principal debtor and to enforce against that debtor any charges which were given by it to the finance company.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Gym shoes are runaway winners this season. Who's rushing them to the shops?



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TECHNOLOGY

Peter Marsh on a mission to find what causes motion sickness

Astronauts set for bumpy ride

ONE OF the world's most expensive seats will feature in an ambitious space technology flight due to start today. The \$500,000 space sled to be used by astronauts in tests on the human body in space, is one of the main experiments on a West German scientific mission to be carried on the U.S. space shuttle Challenger.

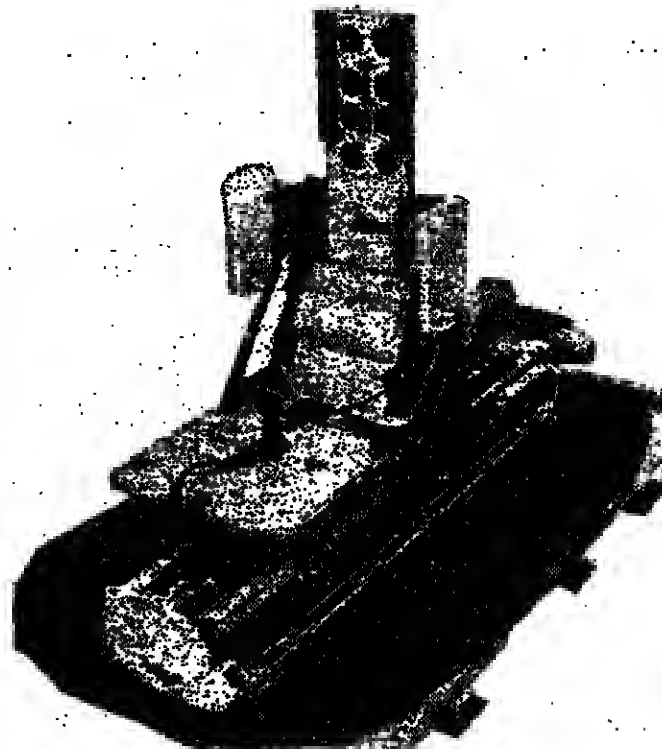
The week-long mission, based on Spacelab hardware which the country is hiring from the U.S. National Aeronautics and Space Administration, is costed at West Germany about \$100m. Spacelab, a big aluminium module packed with experiments and with room for several people, will sit inside the cargo bay of the shuttle while the crew of eight astronauts conduct a total of 76 experiments, most of them concerned either with low-gravity materials processing or biological studies.

The space sled, a seat mounted on a 7-metre track, promises particularly interesting results which could help in planning long space missions, for instance aboard the \$12bn international space station planned for the 1990s. The sled was built by Marshall of Cambridge, a British company which specialises in aerospace hardware, for the 13-nation Euro-

pean Space Agency. In a series of experiments, the seat will be propelled along the track electrically while an astronaut is in position. The movement of the seat will be programmed to produce a variety of accelerations while the astronaut is monitored. The results should provide information about the causes of space sickness. This afflicts many astronauts in the first few days of space flight and is believed to result from the effects of weightlessness on the body's balancing mechanisms in the inner ear.

Supervising the sled experiments will be the two German members of the crew, Professor Reinhold Furrer and Dr Ernst Messerschmid, who work for the DFVLR, the German aerospace research organisation and Dr Wubbo Ockels, the first Dutchman in space, who was selected for the flight by the European Space Agency.

The three professional scientists are joined on the flight by five Americans who are full-time members of NASA's 80-strong astronaut squad. The sled experiments could be rather unsettling for astronauts chosen to sit on the device. Physicians know that head movements are likely to cause space sickness, but they lack



Space Sled by Marshall of Cambridge.

data on precisely what forms of activity brings on the ailment—and on how the body builds up resistance to sickness in later stages of space flight.

Astronauts sitting on the sled will be beamed about under computer control to provide a series of accelerations. During

this experiment, the subject's respiration and pulse level will be recorded. Mission planners say the trials will be stopped as soon as the astronaut reaches what in space jargon is called "malaise two" levels of nausea and will be cut short if the person feels uncomfortable.

Launch of an adaptable tanker

BURMEISTER AND WAIN, the Copenhagen shipyard, last week presented the first in a new series of product tankers, a kind of floating Thermo flask which can carry 11 different cargoes simultaneously and load and unload six different cargoes simultaneously.

A series of six of the vessels, called CPT54E type, has been ordered for operation by the Norwegian Uglund group. The ships were contracted by thousands of Danish part-investors and will be managed by the Danish Dampskibsselskab Norden.

The new vessels were developed to supersede the successful, pioneering 84,000 dwt Panamax fuel economy bulk carriers which were the mainstay of Burmeister and Wain's programme from the mid-1970s. "We could not continue in bulk carriers, so we abolished that programme and developed this new concept," said Mr Cato Sverdrup, B and W's managing director.

The result is an 84,000 dwt product tanker with a double-hull and double deck, providing thermal insulation of the cargoes. These can include crude oil, petroleum products, ethanol, vegetable oils and many kinds of chemicals.

In addition to the versatility and double-skin construction, the other outstanding feature of the vessels is that the product tanks themselves are free from obstructions, which facilitates cleaning, and they are coated with a phenol epoxy

paint, which means that they can be used to carry ethanol.

"The ships have proved much more difficult to build than expected," said Mr Sverdrup. The double hull calls for great manufacturing accuracy, while the cleaning and sand-blasting specifications are so high before the epoxy coating

suming 22 tonnes of oil a day at a cruising speed of 13 knots.

Mr Atle Berghaven, executive vice president of Uglund, said the philosophy behind the new concept—dubbed The Golden Concept—Your Portable Pipeline by Uglund—was an expected increase in demand for product tankers. This, he said, arose partly from the fact that the oil producing countries were going into refining, partly because since the first oil price shock the grading pattern, the oil market has become fragmented.

The double skin provides a Thermo flask effect, reducing heat loss and preventing overheating when the ship is exposed to strong sunshine. This reduces the cost of maintaining cargo temperatures or keeping them cool.

Last week's presentation of the ships was overshadowed by the uncertain future facing the Danish shipyards. As a result of changes in the tax-shelter investment system, by which the series of six product tankers was financed, was abolished by the Folketing (parliament). "It is a disasterous blow, the whole basis on which we were marketing the ship was changed overnight," said Mr Sverdrup.

Since last December, neither B and W nor any other Danish shipyard has received a single new order, as they are now unable to compete financially with yards elsewhere.

Hilary Barnes on a series of versatile but expensive new tankers being built in Copenhagen

can be applied that there was a four-week delay in the delivery of the first ship in the series, which will be handed over in mid-November.

"It's the world's best ship, but it is also the world's most expensive," said Mr Sverdrup.

The expected loss of the first vessel was DKK 60-70m, but it will in fact run to DKK 120m, all of which will be carried on the 1985 accounts, which will therefore show a loss of DKK 80-100m. The yard is expected to return to break-even in 1986.

In addition to the special features, the new ships have the hull configuration and fuel economy B and W-M.A.N. diesel engines which made the yard's bulk carriers a success. Speed tests showed the first of the new series con-

Bright computer forecast

THE U.S. microcomputer business may be in a deep slump but the European market for professional personal computers will expand steadily through to 1990, according to the New York-based market research organisation, Frost & Sullivan. Hardware sales of about \$3.1bn this year are likely to grow to \$6.98bn by 1990, it says, adding that the software market in western Europe will also show sound growth. "In 1990, software sales in western Europe for low end micros will reach a value of \$6.87bn, a substantial increase over 1985's \$1.28bn," it says.

By 1988, the UK should account for over 26 per cent of the whole west European market with West Germany taking 20.7 per cent and Italy 11.2 per cent.

The authors of the Frost & Sullivan study predict there will be a strong Japanese challenge for the home and small business sectors of the market with the introduction of second generation machines which will be far more advanced, compact and versatile than their current ranges.

In a second study, Frost & Sullivan says that demand for bank tolerant computers is soaring as businesses as diverse as banking and chemical manufacturing look to safeguard themselves against disaster.

In Europe, the market for these machines should exceed \$1.9bn by 1990. The reports cost \$2,200 and \$2,150 respectively and can be bought from Frost & Sullivan on 01-486 8377 in London, 212-283 1060 in New York.

Safer loading with special wheel chocks

WHEEL chocks to locate tankers exactly beneath needles filling them with dangerous chemicals and hold them immobile have been introduced by Godwin Warren Engineering.

Regulations insist that rail tankers being filled with, say, caustic soda or liquid chlorine must not have the brakes applied for fear of the brakes locking as the load increases.

The Godwin Warren solution—one for level weighbridges, one for slight gradients—involves pneumatically positioned chocks. More on 0272 278399.

Voice device holds promise for the disabled

BY HENRY MARA

A COMPUTER which controlled electrical appliances when you issued a spoken order would probably count as little more than an intriguing novelty in most households. For the physically disabled, though, a machine which translated voice commands into actions could be the key to overcoming severe difficulties and providing a sense of security.

The prototype of just such a device went on show in the October exhibition of National Aids for the Disabled in London. Vadas, developed by Voice Control of St Ives near Cambridge, is a microprocessor in a box the size of a small book.

It can turn televisions, radios, lights and other appliances on and off, it can open and close curtains and even control a security camera over a front

door—all at its owner's verbal command, no matter what the language.

Voice Control claims the device is the first to achieve with a box small enough to hold in the hand what has hitherto needed a bulky personal computer console and keyboard.

It consists of a microprocessor-controlled voice recognition system coupled with a mains signalling system. It has its own built-in microphone and employs advanced mains signalling techniques which make use of the existing mains wiring in the home.

From this one small box, up to 16 appliances can be controlled. It also has a 110 to 240 volt switchable power supply and can be used in either wake or sleep mode. This means it can be left on but dormant and needs only the command "wake up" to bring the

device back into its vocabulary back into action.

A command issued in error can be overridden at the push of a button, and a liquid crystal display shows two lines of characters. The upper line is for prompting and the lower displays the command word as confirmation.

The LCD's five by seven dot matrix means that characters in Greek or Russian, say, could be displayed as easily as Roman letters.

Vadas will be sold at £375 (plus VAT) for the box and £25 inclusive of VAT for each mains signal receiver switch fitted to an appliance.

Provided safety trials in the field showed this voice control was as effective as the highly-valued Possum control systems, which need some simple form of physical contact to be acti-

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for building products, heat exchange, drinks dispensers, fluid power, special-purpose valves, general engineering, refined and wrought metals. Mill plc, Birmingham, England

Eliminating the old timesheets

HOURS of clerical staff time spent preparing timesheets could be eliminated by an automatic system from Factory Data Systems of Woking, Surrey.

The company says its Time-watcher system can give up to the minute information about all jobs or projects in progress in a factory or office.

There is software available which will automatically produce daily, weekly or monthly timesheets for each staff member. It will also give regular updates of costing records on particular jobs or projects, and can store target deadlines so the host computer will automatically highlight stages which are over-running their target time.

Staff are issued with individually coded identity cards. They book on to a job by keying in a project number and the stage of the work they are engaged on. Using an optical bar code reader, this information can be entered directly from computer-generated shop floor documentation.

The system also provides for logging such information as staff involvement in a training session or the reason for delay on a particular work stage. As many as 16 "Time-watcher" terminals can be connected to a personal computer.

More on 04567 81024.

Light for night riders

RIDING enthusiasts may feel safer in the saddle with a set of stirrup lamps sold by Fizzig of London (01-885 1063). The lights cost £85 (including batteries and a recharger) and show white to the front and red to the rear to give riders higher visibility in the dark.

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30th October, 1985

A profile of the typical reader of THE BANKER

The typical reader of THE BANKER is a Senior Vice President working for a commercial bank. He has responsibility for international affairs yet, despite his senior executive position, he is only 42 years old. He will have access to a computer, be responsible for selecting or purchasing technology equipment and will be involved in both personnel selection and relocation matters for his bank. As is to be expected, he is a well-travelled executive making about 13 international flights on business each year, normally first or business class, and spending 24 nights in hotels. Chances are that he will have two credit cards and regularly rents cars. For more specific details of the MORI research findings into readers of THE BANKER and the opportunities offered to you for business and profit, please contact:

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APPOINTMENTS

Changes at McAlpine

Mr A. J. McAlpine retires on October 31 as chairman of ALFRED McALPINE and becomes life president. He is succeeded as chairman by Mr R. J. McAlpine who remains as chief executive. Mr G. J. Rich is appointed deputy chairman and Mr R. W. Stanley succeeds Mr Rich as divisional director, construction. Mr J. T. Wilson is appointed to a new position with overall responsibility for the north and south regions of Alfred McAlpine Construction, and Alfred McAlpine Plant. Mr M. J. Stevens is appointed managing director of Alfred McAlpine Construction south region. The changes become effective from November 1.

TRIPLEX ALLOYS, part of the foundry division at Triples, has appointed Dr John Campbell as technical director from November 1. Dr Campbell will be best known for his work with Cosworth and the development of an aluminium casting process to produce premium quality castings.

MANDERS (HOLDINGS) has appointed Mr S. Walsworth as deputy chairman from November 1. He has been a non-executive director of Manders since 1973. Mr Richard Heap has been appointed technical director of FREIGHT SOFTWARE SYSTEMS (FSS) of Cranfield. Mr Heap moves to FSS from a similar appointment at Synergy Logistics, prior to which he was engaged in transport research at the Cranfield Institute of Technology.

TELECOMPUTER PRODUCTS has appointed Mr Richard Siegrist as vice-president of its European operation and general manager of Telex Computer Products (UK).

CELETTE CHURCHILL has appointed Mr Geoff Allen as director and general manager. He succeeds Mr Chris Lee who is taking up a new appointment with the TI Group as sales and marketing director of TI Crypton.

Mr Robert Norris has been appointed as investment manager and Mr David W. Smith becomes an assistant manager (data processing) at the SCOTTISH MUTUAL ASSURANCE SOCIETY.

Mr Tony O'Ferrall, director of operations for RANK THEATRES, will become managing director on November 1. He was appointed controller of Rank's theatres in 1983, becoming director of operations a year later.

Mr Gary Greenhalgh and Mr A. W. (Bill) Revell have been appointed directors of AAH HOLDINGS from November 1.

CONTRACTS

£12.5m work for R.M. Douglas

R. M. DOUGLAS CONSTRUCTION has been awarded £12.5m of work for three sheltered housing schemes. Accommodation for 43 persons is being built in the Midlands for the North Housing Association at a cost of £700,000. In London two schemes for the Shaftesbury Society Housing Association will provide accommodation for 76 in Battersea and 41 in Epsom.

Also in London, a fitting out contract for Texas Homecare in Brighton which is underway, and an office block of 785 sq metres on three storeys for Princeton Estates, will together add another £1,060m.

Douglas has an order for £12.5m from Vickers Shipbuilding and Engineering for a pipe cleaning plant at Barrow-in-Furness. In South Wales a contract for the Welsh Development Agency for £2.25m to build a factory in Rassau for Yuasa Batteries has started, as also has another for £1.0m for a shopping park in Gorseinon. Soon to start is a 22-week contract to build a tail unit in Weston-Super-Mare for Allied Carpet Stores for £492,000.

The Property Services Agency has awarded a contract of £1.4m to refurbish a bungalow at RAF Shawbury in a contract period of 38 weeks. A £594,000 contract has been won for roofing works at Jaguar Cars plant at Radford. In Milton Keynes work will start soon on a 37-week contract of £618,000 to extend the office and laboratory buildings of Automatic Systems Laboratories to help them meet their increased sales.

A £2.5m management contract for Messie House is for refurbishment and redevelopment of "The Holme," an historic Regency house in Regents Park. Work starts next month for completion by the end of 1986.

Chesterfield maternity project

HENRY BOOT NORTHERN has started on the construction of a £6m maternity unit in the grounds of the new Chesterfield and North Derbyshire Royal Hospital.

It is the second phase of the new hospital's development and the part single, part two and part three-storey maternity unit will include reception, administration, education, ante-natal clinic, central delivery suite, a special baby care unit, operating suites, X-ray department, medic physics

section and maternity gynaecology wards. Completion of the project is scheduled for April 1988. Strathclyde Regional Council has awarded a 78-week contract to Henry Boot Scotland for the construction of a primary school in Dykeshead, Shotts. This £200,000 contract includes the erection of a 1,825 sq metre single-storey steel-framed building housing open plan classrooms, dining area, staff room, toilets, cloakrooms and facilities. Hard and soft playing areas are planned together with protective measures in mine shaft locations.

R. DURNELL AND SONS of Brasted, Westham, Kent has been awarded the following: extensions, alterations and refurbishment work at Hayes Court, Bromley, Kent, for the Electric Electronic, Telecommunications and Plumbing Union. OGC Architectural and Surveying Services is the architect and the contract value is £1.2m, with a contract period of 30 weeks. Construction of the VIP arrivals, prestigious coach service canopy at Gatwick Airport, Sussex. The contract is worth £26,000, with a contract period of four weeks. Construction of 16 one-bedroom flats at Lyons Crescent, Folkestone, Kent for the Hyde Housing Association. The contract value is over £1m, with a contract period of 15 months.

WILTSHIRE SCOTLAND has won two contracts together worth £1.97m. They are two rehabilitation projects in Glasgow. One is a 19-25 Kent Road and £2.54 Cleveland Street houses are to be refurbished for Avalon Corner Housing Co-operative. The contract is worth £683,000 and completion is due in August next year. The rehabilitation of tenement properties is under way at 8-12 Pembroke Street and 402-408 St Vincent Street, Glasgow. Sandyford Housing Association has awarded the £205,500 contract with a completion date in July.

A contract valued at over £5m has been won by CABLE & WIRELESS SYSTEMS in Hong Kong for a communications and control system for the territories' Tuen Mun light rail transit project. An options contract valued at some £2m has also been signed. CWS, Hong Kong, a wholly-owned subsidiary of Cable and Wireless, was awarded the contract by the Australian consortium undertaking the LRT project, Leighton-MTA.

BOWEN CONSTRUCTION, the Newcastle-based building contractor, has won a £1.4m contract, to refurbish the Princes

Building on Newcastle's Quay-side, for North Housing Association. Other contracts in development include work on the Blyth Fire Station, a new training school for NEEB, and various modernisation schemes for Castle Morpeth Borough Council, the latter worth more than £500,000.

The Leeds office of WIMPEY CONSTRUCTION UK has been awarded four contracts totalling £2.57m. The largest, for Leeds City Council, is for modernisation of 117 council houses at Westfield, Bramley, valued at £1.3m. Work is scheduled for October 1986. The completion of three contracts for other three contracts are for Stockton-on-Tees Borough Council, valued at £500,000, £1.2m, and £1.2m, respectively. The first, valued at £500,000, covers the modernisation of 100 bungalows on Lunsdale Road, Billingham, for completion in February 1986. The second is for modernisation of 74 dwellings on the Hardwick Estate, Stockton-on-Tees. Work on this £500,000 contract will be completed during March 1986. The third is for the refurbishment of 41 dwellings on the Mandale Estate at Guisborough Road, Stockton-on-Tees. Valued at £274,000, the contract is expected to be completed in March 1986.

QUARMBY CONSTRUCTION CO of Ilkley has won a batch of contracts valued at over £2m. The projects include a non-food retail development in Dewsbury for St James Securities. In Halifax, Quarmby is building the Pennine Shopping Centre. Other projects include a prime high street shopping scheme for the group's own development company in Ilkley, a Comet retail development in Darlington, a new music department of Malsis School near Knapley. Work to be carried out on listed buildings includes the refurbishment of The Royal Pump Room, Harrogate and the conversion and renovation of an old water mill to eight houses at Addingham, Yorkshire.

Construction is under way on the Lakeside Technology Centre in Swansea for Enterprise Zone Developments. Awarded to MOWLEM MANAGEMENT, working in partnership with company Isaac Jones Construction, Llanelli, the contract is valued at £1.07m. Project consultants are RDB Project Management, Preston. The centre comprises two buildings of single and two-storey construction covering 3,000 sq metres. It is intended to be flexible and to suit the requirements of each tenant. D. T. BULLOCK & CO has been awarded contracts worth over

£4m in the past month. Spiral Housing Association has awarded a £1.35m contract to convert existing shops, offices and storage buildings into 43 flats in Worcester. Newbury District Council has placed a £524,000 contract for 47 housing modernisations at Lambourn, Berkshire. A comprehensive modernisation of 50 dwellings with new kitchens and bathrooms, new central heating, plumbing and rewiring is to be undertaken at Altrincham, the Trafford Borough Council. The contract, worth £569,000, will be administered from Bullock's Warrington office. Another housing contract about to start is at North Housing Association site at White City, Newcastle upon Tyne. The contract, worth over £588,000, includes the modernisation of flats and houses, together with the conversion of 17 pairs of flats into houses.

Bullock Specialist Services has won contracts worth £1.1m. They include repairs to Woolley houses for Rhymer Valley District Council (£566,000) and repairs to Airey houses for Mid-Bedfordshire District Council (£512,000).

Stockport-based MULTI CONSTRUCTION has been awarded a contract by Cyril Bernstein, Manchester. The design and build contract includes extensions to existing production facilities and foundations for a new Giben machine. Work is scheduled for completion in February.

Roadwork for Balfour Beatty

BALFOUR BEATTY CONSTRUCTION has been awarded a contract worth over £2.5m for the construction of the advance works on the Lincolne section of the Johnstone bypass on the A740. The works, programmed for 65 weeks, involve the construction of 1.2 km highway embankment with granular material, together with drainage provision to accelerate consolidation below the embankment and include the installation of instrumentation to monitor the settlement and soil conditions during and after construction. Works on this section also include construction of a roundabout on both sides of the existing dual carriageway to the east of Lincolne roundabout over 1.5 km together with drainage alterations and overlay/reconstruction of the existing carriageway. Balfour Beatty is a BICC company.



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UK NEWS

Tories to name MPs who 'abuse' regulations

By Kevin Brown

MR DOUGLAS HURD, the Home Secretary, yesterday promised to name 23 members of Parliament accused by Mr David Waddington, the Home Office Minister of State, of abusing immigration regulations.

Mr Hurd's statement followed sustained protests from opposition Labour members angered by Mr Waddington's claim that the immigration service was being strained by their excessive representations.

Mr Waddington refused to name the MPs involved on the grounds that the comments were based on confidential correspondence sent to the Home Office.

Mr Hurd said it was "entirely right" for Mr Waddington to raise the issue in the House of Commons. He said the 23 MPs were being contacted for permission to publish their letters, after which they would be named.

He said it was not being suggested that the Labour members had broken the law, but there were "obvious difficulties" when representations were made on behalf of overseas visitors about whom an MP had no knowledge.

There were "one or two cases" where MPs seemed to be deliberately facilitating the temporary admission of overseas visitors who they had every reason to believe would not qualify for entry under the immigration rules, Mr Hurd said.

If these MPs' actions were widely copied the result could only be a weakening of the immigration control system.

Mr Hurd said the Government was anxious to strike the right balance between MPs' rights to make representations and the need for effective immigration control. He promised talks with the MPs involved "in the hopes of working out a sensible answer."

The statement failed to satisfy Mr Gerald Kaufman, Labour's home affairs spokesman, who had led opposition protests on the issue.

Mr Kaufman said that "in essence the allegations which the government are making add up to a whine that the actions of MPs are an inconvenience to the executive. But one of the most essential functions of an MP is to be an inconvenience."

THE WEIR group and Balfour Beatty have formed a joint venture to tender for the management contract at Rosyth naval dockyard in Fife, Scotland. The Government announced last July that it wanted to place Rosyth and Devonport dockyards under commercial management by the spring of 1987.

BRANCH officials from the breakaway Nottinghamshire area miners' union unanimously approved a 5.9 per cent pay offer from the National Coal Board to the area's 27,000 mineworkers.

BRITISH doctors earn more than £400 a week on average, according to figures published in the Government's New Earnings Survey. The survey shows medical practitioners are the first group to pass the £400 mark.

REUTERS, the news and information group, has taken a majority shareholding in Visnews, the international television news agency.

Reuters has paid the BBC £24m for just under 22 per cent of its stake to lift the Reuters share from 33 to 55 per cent.

The BBC stake in the organisation, which has more than 420 subscribers in 63 countries, falls to 11.25 per cent, matching the share of the other shareholders - the Australian, Canadian and New Zealand Broadcasting Corporations.

THE GOVERNMENT has approved the sale of the Vesper Thorncroft shipyard at Southampton to a management consortium for £18.5m.

OBITUARY

Charles Douglas-Home: editor of The Times

MR CHARLES DOUGLAS-HOME, who died yesterday, was editor of The Times for little more than three years, but it was under his leadership that sales of the newspaper rose from under 300,000 to almost 500,000 copies a day. He was 48.

He took over the editorship of the Murdoch-owned newspaper at a time when The Times was split into various camps after the departure of Mr Harold Evans, its former editor, in 1982. "In little more than a year, he managed to pull the paper together, to get people going and to improve the sales. Had The Times stayed where it was when he took over, it would have died," a senior executive of the paper said.

Mr Douglas-Home, whose death came after a long illness, was the nephew of Lord Home, the former Conservative prime minister. He joined The Times as its defence correspondent in 1965.

"He was a Times man through and through," said one journalist who worked with him. "He had belief in The Times and in its role as

Inquiry ordered after spy case acquittals

BY KEVIN BROWN

THE GOVERNMENT yesterday announced an independent inquiry into the case in which eight servicemen were cleared of charges brought under the Official Secrets Act. They were all accused of espionage based on their work at a signals unit in Cyprus.

The total collapse of the prosecution's case came on Monday when the last two accused were acquitted at the Central Criminal Court in London. It was Britain's largest, longest and most expensive spy trial, estimated to have cost £5m.

It was also revealed that the case was referred to the Security Commission by Mrs Margaret Thatcher, Prime Minister in June 1984, because of the gravity of the apparent breaches of security.

Mrs Thatcher told the House of Commons yesterday that the involvement of the Security Commission was not announced in order to avoid any interference with the trial of the eight men. She promised a full report to parliament after consultations with the chairman of the commission.

Mr John Stanley, the Armed Forces Minister, said in a statement that Mr David Calcutt, QC, would inquire into the conduct of investigations by the Royal Air Force and Army Police.

He said the inquiry would be non-statutory, but requested full co-operation by the Ministry of Defence. It emerged yesterday, however, that Mr Calcutt would not be able to compel witnesses to give evidence, and may not be able to offer immunity to witnesses.

Accountants oppose Bank of England plan

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE BANK of England is under increasing pressure to drop its controversial proposal to hold private meetings with bank auditors as part of its drive to strengthen its supervision of the UK banking system.

Yesterday, Britain's chartered accountants came out against the proposal. The main interested parties have now all placed themselves in opposition.

Earlier this month, UK banks refused to sign a form sent to them by the Bank that would have given the Bank's supervisory staff the authority to consult their auditors. Bankers were angered by the form because it anticipated the Government's forthcoming banking White Paper (policy statement) which is supposed to lay the basis for whatever changes are made to banking supervision.

In a joint memorandum to the Bank yesterday, the chartered accountants' institutes of England, Wales, Scotland and Ireland said that supervisors should not have the right to meet a bank's auditors unless the bank's management was present as well. They also argued against the Bank of England receiving, as a matter of course, the auditors' reports to management on internal control weaknesses.

Polls give Tories lead

BY PETER RIDDELL, POLITICAL EDITOR

THE CONSERVATIVE Party has moved into a narrow lead over Labour, according to two opinion polls taken since the end of the party conference season.

A Market and Opinion Research International poll says in yesterday's London Standard that the Tories at 37 per cent (up 7 points over the past seven months) compare

Mr Stanley said Mr Michael Heseltine, the Defence Secretary, had launched an inquiry into security at the Cyprus base and other intelligence units after the first of the eight servicemen was arrested. A large number of recommendations for tightening security had already been implemented.

Mr Stanley resisted pressure from both sides of the Commons for financial compensation for those acquitted. He said there was no precedent for compensation in similar cases. The future of the servicemen would be subject to service regulations, including a final appeal to service boards. No proceedings were contemplated against any other suspects.

Mr Denis Davies, Labour's defence spokesman, said there were fundamental questions to be answered about the responsibility for the decision to bring a prosecution which turned out to be "full of holes" and largely based on confessions extracted by dubious or barbaric means.

Mr Stanley said the Defence Ministry had followed standard procedure early in the investigation by involving the Director of Public Prosecutions (DPP). He instigated inquiries by the Metropolitan Police Special Branch, and subsequently decided that the evidence justified prosecutions.

The decision to prosecute lay entirely with the DPP. Ministers were not informed about the course of the inquiry, and the case went ahead after consent was given by Sir Michael Havers, the Attorney General.

Minister sets out takeover principles

By Charles Batchelor

COMPETITION was the biggest but not the only issue considered by the Government when applying its mergers and acquisitions policy, Mr Michael Howard, Corporate and Consumer Affairs Minister, said in his first major policy speech yesterday.

The policy had, however, always provided for cases deserving investigation on other grounds "where the destiny of a vital national capability is at issue," he told a conference on international mergers and acquisitions.

Mr Howard stressed that he did not want to appear to prejudice a decision on any specific merger proposal. But his comments have come at a time of intense takeover activity.

This has culminated in a record-breaking £1.8bn offer from Elders IXL, the Australian brewing, agricultural and trading company, for Allied Lyons, the British food and drinks group.

Mr Howard's confirmation of government policy on takeovers was intended as a reply to comments made last Thursday by Mr David Walker, a senior Bank of England official, suggesting that the policy was too narrowly based.

Mr Walker said that UK policy should take into account the financing techniques used by bidders, particularly if they resulted in a rise in company debt. Many recent bids, including that by Elders, have been heavily financed by debt.

Mr Walker, the Bank director responsible for industrial matters and the securities markets, said government should take into account the broader international implications of a merger.

JAPANESE GROUP WORRIED BY SCALE OF HONDA PLANS IN BRITAIN

Nissan may step up UK operation

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN TOKYO

NISSAN, Japan's second-largest vehicle group, is under intense pressure to move swiftly to the large-scale manufacture of cars in Britain from the planned initial assembly of imported kits. There are fears that Honda, its arch-rival, may get to a UK manufacturing stage first.

These worries are becoming increasingly clear during the run-up to the Tokyo motor show, where Nissan will today launch the model which is to be assembled in its factory being built at Westhoughton, in the north-east of England.

The car, code-named GP, has caused surprise because it is slightly larger and covers a much wider market segment than the Stanza, which it will replace when it goes on sale in Western Europe and North America next March. It is a direct competitor to Ford's Sierra, the Opel Ascona/Vauxhall Cavalier from General Motors and BL's Austin Montego.

Nissan executives admit to being taken off-guard by Honda's apparent intention to have substantial numbers of its cars made in the UK on a sub-contract basis by BL's Austin Rover subsidiary. Mr Harold Musgrove, Austin Rover's chairman, is in Tokyo with a large technical team for discussions with Honda, as well as to be present at the first public presentation of the XX, the executive saloon developed jointly by the two companies.

It would seem logical for Austin Rover at first to produce at its Longbridge factory some versions of the Honda Ballade for the Japanese group's European dealer network.



The four-door version of the car Nissan of Japan will assemble at its factory in the UK from next summer.

between his company and the Japanese group - for a medium-sized car which will, in Austin Rover's case, replace the Maestro and Montego models.

Honda's known potential for speed of executive action, could leave Nissan well behind. Nissan said formally it would start assembling the GP at the rate of 24,000 a year in the UK from next August and then will take a decision on phase two in 1987, which could lead to the production of 100,000 cars a year on a single shift at Westhoughton, starting in 1991.

Some Nissan executives say privately, however, that not only could the decision on the phase two be brought forward to next year, but also production at Westhoughton could quickly be pushed up to two shifts, or more than 150,000 a year.

The model will be offered in three body shapes - a four-door saloon plus three and five-door hatchbacks, with five different standards of trim. There will be four engines available in Europe.

Mitsubishi joins GKN car spring project

MITSUBISHI Steel Manufacturing of Japan is entering a joint venture with GKN to develop the potential of the UK engineering conglomerate's technology breakthrough in composite springs for commercial vehicles, writes John Griffiths.

The potential world market for the springs, which are about two thirds lighter than their steel equivalents, is about 20m units a year. The Japanese market could be worth £100m to £170m a year.

While several of Europe's largest commercial vehicle producers are still evaluating the springs, on which GKN has spent £17m to develop and bring into production, Mitsubishi appears to have recognised the potential threat to its steel-vehicle springs business and is therefore seeking access to the new technology.

The springs provide a weight saving - of about 55 lbs on a typical medium van and have the advantage that, should they fail, they split longitudinally rather than break. This means a vehicle can continue in use until repaired.

Freight Rover, BL's van-making subsidiary, has just introduced them as a "world first" on its Sherpa van range, but with annual production of just under 20,000 vehicles a year it is one of Europe's smallest light commercials producers.

Mitsubishi Steel Manufacturing is a big supplier of steel springs to the Japanese industry, which produced 4.39m commercial vehicles of all types last year. So far, the springs are suitable for vans and light trucks only but units for heavy trucks are in the process of development.

The joint venture is being undertaken by the UK group's GKN Sankey division. It will hold 60 per cent of the equity in a new company, Translite UK, with Mitsubishi holding the remaining 40 per cent. Initial share capital is £1.2bn (£39.4m).

An agreement between the two companies was signed yesterday, although it is still subject to Japanese Government approvals.

It provides for Translite to carry out sales, design and testing activities at a Tokyo base on behalf of and with the Japanese vehicle producers. It will also undertake a feasibility study into requirements for local manufacturing capacity.

Initial demand is expected to be met from GKN Sankey's plant at Telford in the West Midlands of England, where capacity is 600,000 units a year.

While GKN has patented some aspects of the springs, which were developed by its GKN Technology division, it has not patented most of the production process.

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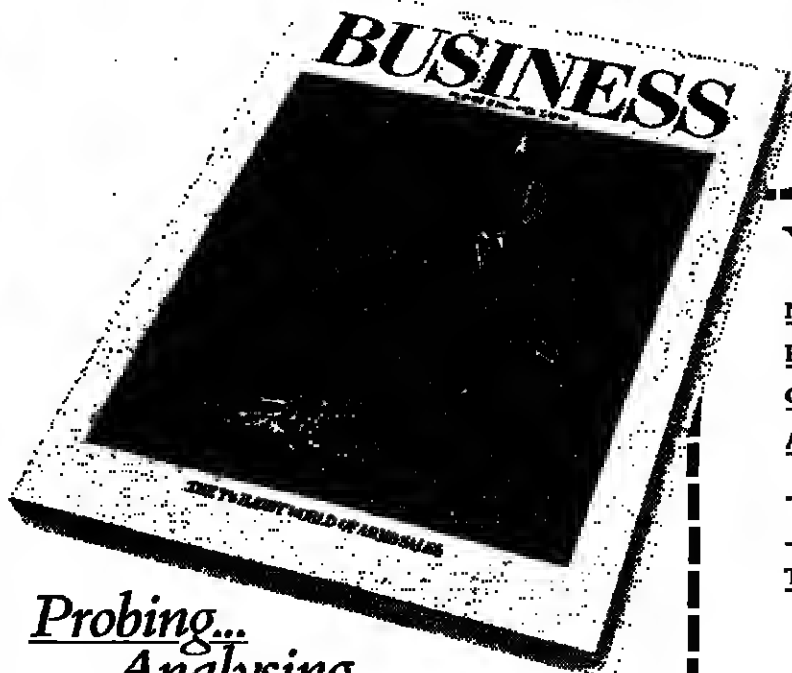
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UK NEWS

Massey plans expansion at Coventry plant

BY ANDREW FISHER

MASSEY-FERGUSON, the Canadian farm equipment group, plans to invest a further £30m at its Coventry tractor plant in the English Midlands over the next five years. But up to 500 jobs are likely to be shed there as a result of increasing automation.

The group is in the midst of a £22m capital spending programme aimed at increasing efficiency at its Banner Lane plant in Coventry, the largest tractor factory in the world. Massey, which almost collapsed five years ago, employs around 4,800 people in Coventry. The manual workforce is about 3,000, half the peak level of 1977. Mr Scott Glover, director of UK supply, said future reductions would be achieved through voluntary redundancies and retirements.

Massey's investment programme was announced the day after J.I. Case, the U.S. farm equipment group, revealed plans for its U.K. operations that could mean spending £30m and the creation of 2,000 jobs in the next five years.

Mr Glover said most of Massey's spending at Coventry would go on computer controlled machine tools and flexible manufacturing systems. The aim was to reduce production costs by about 20 per cent over five years. The investment depended, however, on the company becoming efficient and profitable enough to generate the needed funds.

The present investment programme, most of which has been spent on changing the layout of the Banner Lane plant and transferring machining operations from a nearby factory at Baginton, had been funded through a reduction in stocks.

The Banner Lane plant produces around 60,000 tractors a year, of which 90 per cent are exported. The value of the exports is about £235m a year.

Mr Glover said Massey had to match its operations at Coventry to the lower sales volumes of recent years.

Mr Denis Schwiager, director of marketing and planning, said that tractor demand in the West was likely to drop to around 583,000 units in the year 2000 from this year's 608,000, but there were good prospects in the developing world where Massey had a 30 per cent share.

Tour group price war spreads

AS THE AVALANCHE of price-cuts in the package tour industry continues, serious alarm is being expressed about the financial consequences for the UK's 600 or more tour operating companies.

But the big groups claim they are heading for a profits boom, in spite of an almost hour-by-hour cut and counter-cut in an extraordinary Dutch auction as the Association of British Travel Agents (Abta) met for its annual convention in Sorrento, Italy.

Amid much talk of a "blood-letting" year, Mr Harry Goodman, chairman of the Intasun parent, International Leisure, said that as many as 100 tour companies would pull out of the business or fail in the coming year.

He insisted none the less that rivals who complained about the new aggression of Intasun and Thomson Holidays were "moaners and whingers."

At the convention yesterday Intasun launched its new discount programme under the Lancaster label, with a programme which includes, for blizzard promotional purposes, two-week holidays in Spain for £30.

Thomson Holidays promised further cuts on its Skytours programme and introduced its own standby holidays at £23 for one week and £35 for two weeks in Spain.

As each announcement was made, more tour companies called hurried gatherings to produce badly-typed sheets of new "special offers," leaving the retail travel agents bemused and often angry

Fierce price-cutting is forcing sharp divisions within the UK package tour industry. Arthur Sandles reports from Sorrento on growing fears for the survival of smaller operators as the bigger groups battle for market shares.

that many of them still do not have brochures to sell the holidays that are being reprinted.

The Rank Organisation not only cut its tour prices by 17 per cent but added bonus offers of £25 weekends for two in London and £25 weeks for six in Budins holiday camps in the UK.

Horizon Holidays has promised that its discount label, Broadway, will soon produce a brochure with the lowest prices.

In a remarkable attack on Thomson, which started the present whirlpool of discounting, and the whole price-cutting campaign, Mr Eric Sutherland, the president of Abta, talked of a "brutal challenge to the trade."

Mr Sutherland told the 3,000 travel agents at the convention: "The cost is, at best, massively reduced profits across the trade as a whole, for both tour operators and travel agents. It is at worst massive blood-letting, and deficit trading to say the least."

Mr Goodman thought these comments were "nonsense." He argued: "This industry is growing up. Yes, there will be blood-letting, but why shouldn't there be blood-letting?"

He pointed to the success of the price war in producing bookings. Thomson has said it has already sold 450,000 holidays, worth £100m

for next summer. Intasun says it has sold 315,000 holidays. Both companies' sales are seven times the level of the same time in 1984.

Mr Goodman said this level of bookings "will make a dramatic difference to our profitability. If we do not have to discount, this will be our most profitable year ever."

Mr Goodman added that there was little prospect of discounting but he felt there was a good chance that the supply of holidays might run out by February. New brochures might be produced in the New Year, perhaps with higher prices, which would penalise those who had delayed their holiday bookings.

Thomson and Intasun point out that the supply of airline seats on the UK market has dropped by about 8 per cent for the coming year.

There would be a maximum of 20 per cent more holidays available in the coming year, including unsold holidays from last summer.

Mr Sutherland was not convinced by these arguments. "We must hope that companies will find a way to survive the deliberate threat to their existence which this battle of the giants is inflicting on others," he said.

Mr Sutherland was applauded when he declared: "I am certainly

not seeking to featherbed the weak, but I am talking about the rights of your neighbour, the viability of an industry and ultimately the true interests of the public."

Mr Terry Grew, managing director of British Airways' holiday activities, felt that Thomson's move was "ridiculous." "They (Thomson) have taken a gigantic gamble, not just with their own business but with the whole industry."

Mr Grew said that the BA tour operations, which include Enterprise, Sovereign and Martin Rooks, and which is being groomed for privatisation, would not make a loss as a result of discounting "but profits will be smaller."

Mr Paul Brett, managing director of Thomson Holidays, said his tours would sell at a good profit, "but it does depend on volume, of course."

The Rank Travel programme includes some 250,000 holidays with prices considerably lower than in 1985 - some more than £100 cheaper. Admitting that Rank has not matched Thomson prices, Mr Paddy Lewis, managing director of Rank Travel, listed a series of benefits which Rank (OSL, Wings and Ellerman Sunlight), would receive.

These include free parking at airports (which could be worth more than £25 at the London airports of Gatwick or Heathrow) and opportunities to buy weekends in London at Rank Hotels or weeks at Butlins at heavily discounted prices. Rank is also promising no surcharges and no consolidations (major changes to holiday plans).

Inflation hopes rise as manufacturing cost pressures ease

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S MANUFACTURING companies are reporting continued increases in output and orders but the pace of output growth has slowed and business confidence has declined, the Confederation of British Industry (CBI) says, in its latest quarterly trends survey.

The outlook for inflation, however, has improved markedly with the survey indicating the weakest cost increases for industry since 1983.

The CBI says that the survey, along with the evidence from official statistics, suggests that growth in exports and investment is beginning to tail off while consumer spending remains relatively buoyant.

Export orders have been hit by the higher sterling exchange rate and by a slowdown in world trade, while after growing rapidly in the first half of this year capital spending is likely to moderate.

Despite the continuing growth in output, companies have continued to shed labour. But the rate of layoffs has slackened suggesting that the decline in manufacturing employment is slowing. "Growth is continuing, but the pace is now steady and in any case still leaving many companies with excess capacity."

Some 65 per cent of the respondents to the CBI survey replied that their level of optimism was unchanged from the previous survey in July, while 21 were more pessimistic and 15 per cent more optimistic.

The resulting balance (the proportion reporting a rise less the proportion reporting a fall) of minus 8 per cent, suggests a sharp fall in confidence since the surge in the immediate aftermath of this year's budget in March. Then the balance was 18 per cent. In July it fell to zero.

Small companies - with fewer than 200 employees - continue to be more optimistic than their larger rivals, with a balance of 3 per cent reporting an improved outlook in the latest survey. Within different sectors, the gloomiest companies are those in metal manufacture, while textile companies are more confident than average.

Output and orders: Companies are still reporting increased output, although over the past four months the growth rate appears to have slowed. The expected trend over the next four months, however, is still forecast to be upwards.

The survey shows that a balance of 10 per cent said their production had risen in the last four months, compared to the 18 per cent which reported an improvement in July.

Looking forward, a balance of 17 per cent expect higher output over the next four months, up from the 14 per cent predicting an increase at the time of the last survey. Of individual industries, footwear manufacturers are most optimistic and industrial chemical companies least confident.

Order books for most companies are still growing, with the balance of 11 per cent reporting an increase, slightly above the 10 per cent figure recorded in July.

Output and capacity: The percentage of companies working below capacity rose to 49 per cent in the October survey from 45 per cent in July, but the CBI says that the last figure was the lowest since 1973 and the present one still reflects an historically good level of capacity utilisation.

The main constraint on output continued to be a shortage of sales or orders, with 79 per cent of companies reporting that that was the main factor limiting their production compared with 73 per cent in

CBI quarterly survey of industrial trends

is being outweighed by the contraction in larger companies. Among different sectors the textiles and electrical and instrument engineering industries have been taking on workers, while the sharpest declines have been in food, drink and tobacco companies.

Costs and prices: The balance of companies reporting a rise in costs over the last four months fell to 19 per cent in July, the lowest level since 1981, while over the next four months a balance of 21 per cent are expecting cost increases, the lowest since 1984.

The effect has been a significant reduction of upward pressure on prices, the survey shows. A balance of 13 per cent of companies said they had raised prices over the last four months, while the balance of 17 per cent predicting increases over the next four months is the lowest since 1988.

Exports: Companies are now less optimistic on the prospect for exports, with a balance of minus 7 per cent expecting a decline compared with a 2 per cent balance predicting an improvement in July.

The survey suggests that export order increases have come to a halt, with the zero balance in October after seven previous surveys in which companies reported improved orders.

Companies replying to the survey, said that expected export orders were higher with a balance of 6 per cent predicting an improvement over the next four months.

Export prices were reported to have declined by a balance of minus 1 per cent of companies, a considerable reversal since the balance of 34 per cent reporting increases in the April survey.

CBI Quarterly Industrial Trends Survey Number 28, October 1985, annual subscription £100 to members, £160 to non-members. From CBI Economics Trends Department, Centre Point, New Oxford Street, London WC1A 1DU.

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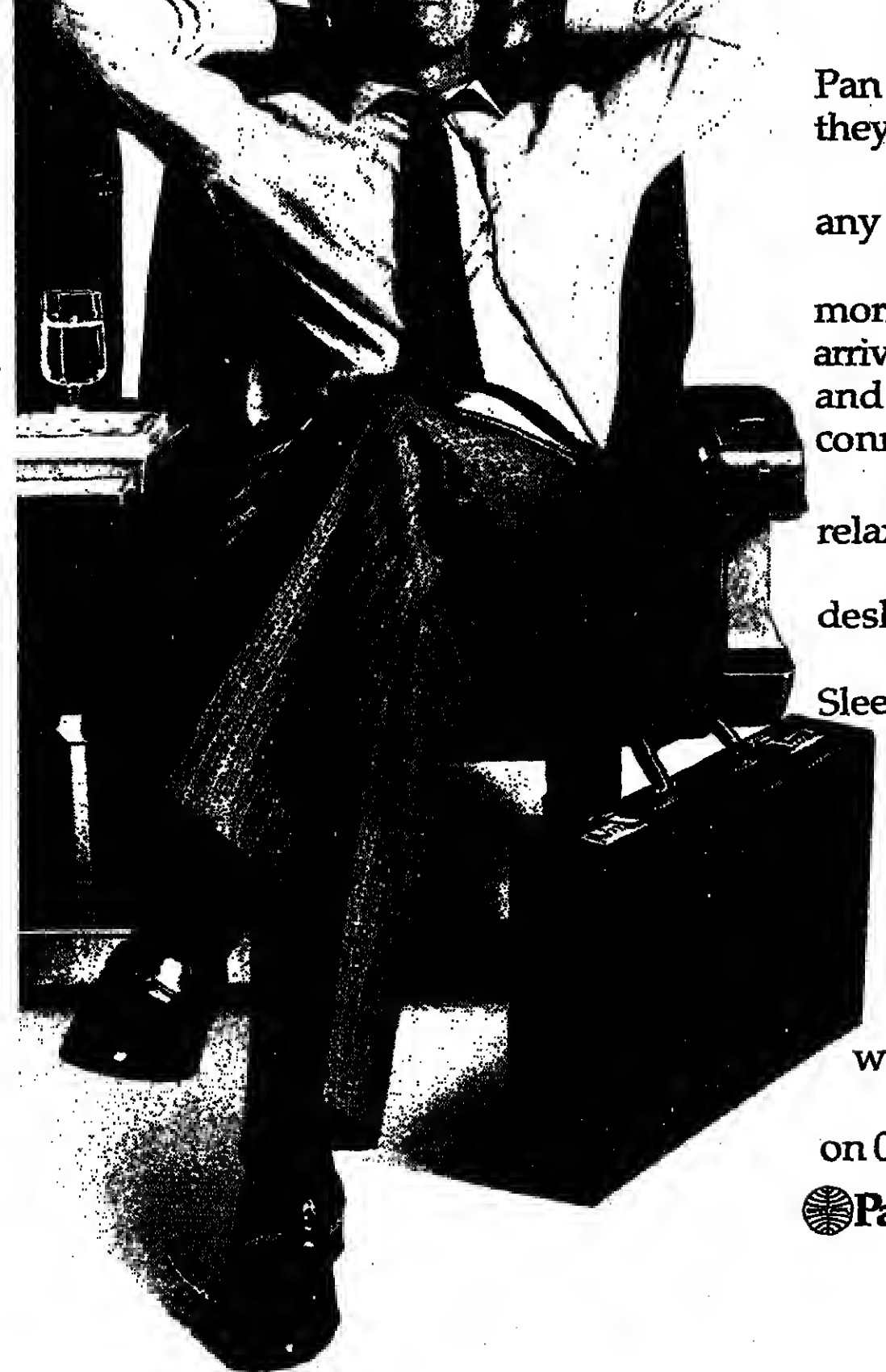
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THE ARTS

Television/Christopher Dunkley

Small ads and the appeal of parts

It is not often that your seat-of-the-television critic laughs so much at a programme that he rolls off his sofa and ends up on the floor in a foetal position, gasping for breath and writhing round desperately to keep his eye on the screen. It happened on Saturday, however, during the second of the *Audience With Billy Connolly* series.

In one of those insanely logical sagas which he builds up and decorates, like an illuminated manuscript, Connolly started on the oddest of the "postal bargain" small-ads in the Saturday newspapers and came by stages to the subject of incoherence. His description—enactment, rather—of the man in the dance hall, performing with all the confidence in the world thanks to his postal bargain, was not a bad roll-out.

Connolly is what a "pee, po, belly, bum, drawers" merchant like Benny Hill who appeals for laughter by pretending to the mischief-maker, rather than the knowing child. Connolly's enjoyment of the scatological is that of the true innocent; like Rabelais he has somehow preserved his childhood's state of innocence in which children discover those bodily functions and attributes which adults describe as dirty. A toddler will experiment equally happily with eating coleslaw and coal dust because he is innocent of inhibition, and will discuss or exhibit the "clean" and "dirty" human functions with similarly naive lack of discrimination.

It is in this innocence—or else he is bluffing us with brilliant success. Perhaps the truth is that, like a number of people, he genuinely finds bodily inhibitions quaint and slightly dotty, yet recognising that what most people feel these inhibitions strongly, joyfully capitalises on the slight difference between himself and his audience. Hence the impact of his expression of surprise at discovering his first grey pubic hair, shock at the darkness of the reference, but something like affection at the sharing of a common attribute. Connolly has many of Lenny Bruce's instincts for exploiting the supposedly untouchable but none of Bruce's viciousness. It makes him an extraordinarily powerful comedian.

But enough of rubber knickers; this column was to have been devoted to fulfilling my promise three weeks ago to

return to this season's documentary series, of which there seem to be an unprecedented number. Among the examples are BBC's *Soldiers*, BBC's *Triumph Of The West* and *Triumph Of The East*, and Channel 4's *Love Affair With Nature*. These appear to me to fall into two pairs: *Triumph Of The West* and *Love Affair With Nature* which are "thesis" series, and *Soldiers* and *Triumph Of The East* which are more like "part-works".

Biggest of the four is *Triumph Of The West* which reached the eighth of its 13 episodes on Monday. In terms of television's famous function of offering a "window on the world" it is proving pretty impressive. Thinking back over the episodes all sorts of telling moments come to mind: pictures of an astounding 30-mile aqueduct built in one of Spain's South American colonies by a monk who supposedly had no architectural training; an explanation of the connection between "burgher" and "bourgeois" and the implications of that connection; the invention of the Cyrillic alphabet; and the notion that a medieval cathedral represented an investment of money and effort as great as that in a modern space programme.

Robert's style of presentation has all the advantages and disadvantages which stem (I take it) from a lifetime of lecturing: he is completely at ease and never difficult to understand (although the "o" dis-

appears from "political" and "governments" becomes "gumments"). However, he is so relaxed that he sometimes gives the impression of being a little bored, and there is in his practised delivery a touch of that repetitive, sing-song rise and fall, like Alan Bennett parodying a vicar, which hints at over-familiarity with his material. There is little sign of the winning enthusiasm for the sharing of knowledge which made *Bronowski* so attractive in the *Ascent Of Man*.

The chief difficulty, however, is more to do with television than with Robert. With seven days between episodes and so many other matters intervening, Robert's thesis becomes diffuse and almost lost. Reading through the Press release for the series, where a couple of paragraphs are devoted to each episode, the strength and consistency of the message about the triumph of the West is striking. But on television, after a week of news, comedy, and cookery, we need more careful and frequent reminders of the central idea that Robert seeks to convey.

Edwin Mullins provides just such reminders in his excellent series *A Love Affair With Nature*. Indeed his programmes give the impression of being more specifically targeted: with Robert you sometimes get the feeling that he is running again through his 1976 book, "History of the World," and inserting occasional comments to sustain his disquisition on

Western hegemony. With Mullins by contrast you always feel as though his central treatise comes first and each successive painting or building or garden has been chosen with great care to illustrate the next step in his argument. Furthermore, Mullins most certainly does have that zeal for sharing enthusiasm which characterised *Bronowski*, which characterised *Bronowski*.

The Roberts and Mullins series are from an established tradition. *Soldiers* on the other hand looks like something new. Initially it may seem much like the other series: a co-production, shot in various parts of the world, and exploring a big topic with the help of a personable presenter, this time Frederick Forsyth.

Better known as a writer of best-sellers, and even as a television presenter, Forsyth nevertheless does the job with consummate ease. Either he is using a concealed ear-piece to cue his lines, or he is the world's most casually inconspicuous reader of idiot boards, or—as I suspect—he has an actor's ability to learn lines quickly. Anyway, he is remarkably good at the job. The biggest surprise is that he did not write the script.

But although Forsyth's presence at the front may give the impression of a conventional approach, this series is really more like one of those magazine part-works ("Modern Warfare" or whatever) than a classic documentary. Like the

part-work it looks bright and appealing. From the striking title sequence to the cleverly used extracts from Hollywood movies and the speed with which it cuts from one location to another, one subject to another, its driving force appears to be not the script but the concern with how attractive it looks and feels to a casual viewer.

This is not necessarily a bad thing. There are times when one would rather flick through a part-work, glancing at the pictures, than settle down to read a long, tightly reasoned analysis in a history book. Moreover while the seven-day hiatus between parts in a television series makes for difficulties in presenting a coherent thesis such as Robert's, television lends itself far better to the episodic approach of a part-work.

Now The War Is Over, which looks at Britain between 1945 and 1951, seems to be a halfway house between the didactic series such as *Triumph Of The West* and the part-work approach of *Soldiers*. There is, once again, the sheer attraction of looking at the pictures: the newsreels of queues during rationing, of aerial roads appearing brand new and populated only by the occasional new "vintage" car, the gleaming blocks of flats which we normally see on television nowadays being knocked down.

A seemingly superficial tendency towards the anecdotal is periodically turned into a strength when somebody seen 40 years ago in a photograph or cinema newsreel is interviewed for the programme today and comments directly on intervening events. The woman whose family was watched being moved into a post-war flat was sadly illuminating on how, even today, they would rather be in their old terraced house, for instance.

For me the series would have been improved by more direct voice-over commentary of the sort which pointed out, on the introduction of the National Health Service, that there was a fear of "total" national health putting doctors out of business. However, this sort of archival part-work, reminding the nation of its roots, is surely going to be a growth area in television as the medium ages and its great vaults start to be of more interest.

Bernard Hill and Julie Walters
Macbeth/Leicester Haymarket

Michael Coveney

After last season's *Dream*, the Leicester Haymarket has come up with another intriguing Shakespearean adventure. A second collaboration between the director Nancy Meckler and the People Show. Whatever its shortcomings, this *Macbeth* is a refreshing and vital assault on conventional Bardic presentation and, in Julia Walters's Lady Macbeth, offers one of the most powerful readings of her role in recent years.

All Gothicism of blasted heaths and midnight haze is out. The witches are a trio of scavenging bag-ladies, first seen robbing corpses and later comparing evil trinkets stowed in a disapparent room. The timeless cynicism of the best People Shows takes on a new dimension here, with a spiralled staircase, representing the castles of both Duncan and Macbeth, stuck out with red wings and framed windows. Mark Long as Porter, Murderer and Messenger is the resident genius, somnambulist supervising lurid wassal under a chandelier of green broken bottles.

The design, which exudes a Heath Robinson air of pragmatic fantasy, also incorporates two large platform drawbridges suspended in mid-air and used throughout with ingenuity. They serve as battle ramps and as spatially isolating arenas when the Macbeths grow apart. Until the murder of Duncan

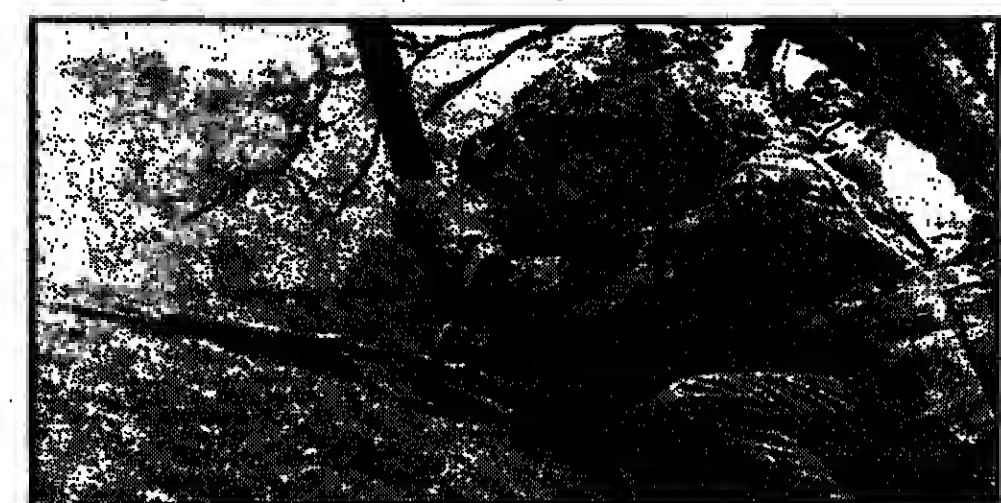
(Martin Friend, benignly monkish), Bernard Hill presents a blank somnambulist pushed into crime by an ambitious wife. But her sexual grip on him is shattered by his imaginative response to the domestic dilemma: as Hill announces the murder of the gnomes, Miss Walters's pallor turns visibly grey, she totters and faints. No ruse, that.

As Macbeth comes awake and rises to his prey along with night's other black agents, his wife goes to sleep. Hill swallows too many words at the moment, forgetful perhaps that he has left the television studio. Nor does he step up into any gear suggestive of penicillin or horror at the end. Banquo's ghost is unrepresented, remaining a hallucination like the dagger, but the dinner table waving his legs in the air. Re-convening with the witches, he is hypnotised and delivers the ravening phoebic himself (in the manner of Jonathan Pryce's possessed Hamlet) while flailing in an epileptic fit.

After these explosions, Hill subsides into his blank and tearfully former self. A play that robs the final act of excitement. No chance of dullness with Miss Walters, though, who demonstrates conclusively that to be a good comic actress is to be a good actress, full stop. Her descent from ravenous Hamlet to sleep-talking shroud

is fully explained and brilliantly executed. Her shoulder-shrugging jouniness is a spectral echo on "Fie, my love" and she dashes to the front on "Give me your hand" before retreating, broken and haggard, up her illuminated stairwell. The women's woe is part of a sustained soundtrack of echoes, sighs, desultory drumming, screeching owls and crying crickets. The melancholic stylised bagpipe suggests a new hallid, or possibly a Royal Court play "The Amazons Grace of Eleanor Rigby" (hints of both tunes).

The staging pulls off some striking transitional effects: Joseph Marcell's laughing, incredulous Banquo is butchered in an animal net while the feast is calmly prepared behind him; and the butchery of Macduff's family (a childish bread roll fight turns sickeningly violent—a good touch) is awarded by delivery men rolling out a carpet and leather sofa for the notorious "English" scene. This proves no less implausible than ever, but that is no fault of Jeremy Swift's bumpkins, confident Malcolm or Nick Stringer's palpably decent Macduff, turning private grief to public revulsion in a rite. In all, a notable classic revival which will be irresistible should Mr Hill rekindle the stage authority we remember from the halcyon Liverpool. Everyman days of a decade ago.



Infantrymen on exercise, from the BBC1 documentary series "Soldiers"

Othello/Dominion

Clement Crisp

"Bring back *The Moor's Poem*," murmured a friend as we left the Dominion Theatre last night after *Othello*. Theatrical initial offering in their week's season. I am no admirer of Jose Limón's gloss on *Othello*, but he has the merit of brevity, and Robert de Warren's new version of the play for his company, and Lorin Tjekavorian's commissioned score, if not long by the clock, seemed interminable at this first London showing.

To make *Othello* so worthily dull is, I suppose, an achievement in itself, as it is to reduce Shakespeare's tragedy to a form of dumb show, for what we see in an acreage of gesture, the occasional set-piece of dancing, and some acid and narrative which make up the narrative.

The hero of the occasion is Peter Farmer, who has designed menacingly brooding front cloth, and scenery whose simplicity is potent in its local and emotion. Nothing else in the evening—not Mr Tjekavorian's grinding score nor Mr de Warren's dutiful patterings—does anything but

drain the theatrical energy from the drama and the décor. In a macabre way the staging seems as if it were aiming at the passionate drive of Yuri Grigorovich's monumental spectacles for the Bolshoi. With a tenth of Moscow's forces, a hundredth part of the Russian's conviction, Mr de Warren's production looks for much of the time as if it were being "marked," that rehearsal practice where dancers sketch in the choreography, hint at writhings of feeling, and save themselves for performance.

About these performances I

note that there is rather more rote-memorisation than characterisation to Marcello Angelini's Moor and Andrea Costa's Iago; the Desdemona, Daniela Buson, has a light, clean style and a gentle pathos, even in the unlikely circumstance of being brought back to life for part of a final duet with her husband. Other roles offer manic beards and embarrassed arms as signs of acting, and the liveliest portrait comes from Augusto Pagani as Cassio, who seems to have established contact, in some mysterious fashion, with Shakespeare's play.

Sadler's Wells Royal

The Sadler's Wells Royal Ballet returns to Rosebery Avenue on December 31 after its autumn tour for a two-week season, sponsored by Sainsbury's.

The fortnight will include the London premiere of ballets by Sadler's Wells soloists Susan Crow and Graham Lustig, and

Ballet winter season

further performances of David Bintley's *Flowers of the Forest* and Michael Corder's *The World of Youth*.

The season opens with *Les Patineurs*, *Petrushka* and *Paganini*, followed by performances of *Coppelia*, and ending with another Bintley ballet *Chorus*, with *Prodigal Son* and *Cord Game*.

Catalani, Handel/Wexford

Max Loppert

Alfredo Catalani (1854-98), a significant figure in late 19th-century Italian opera, has outside his native land never fully emerged from the shadow of his most important rival, Puccini. Recently, attempts have been made to throw new light on the subject. William Weaver described on this page, not long ago, a performance at Lucca (Catalani's home town) of the third opera *Dejanira*. And now Wexford, continuing its worthwhile policy of venturing into the lesser-known regions of Italian opera, has mounted a production of Catalani's fifth, last, and best-known stage work, *La Wally*.

Experience of it has been valuable—I'm glad to have seen and heard the work, and grateful that on its behalf Wexford managed to put together one of its characteristically enjoyable efforts, not ideal (particularly on the production side) but full of life and spirit, and imaginatively cast. After it, one understands Toscanini's enthusiasm (which even extended to the naming of his daughter after the Tyrolean heroine). Yet all the same, and for all the attractions of the evening, one felt by the end that the Puccinian shadow will continue to blight its fortunes. Conventional wisdom is still the correct one: Julian Bodden's excellent, well-planned programme note succinctly summarises it: "The truth is that Puccini knew how to grab the public in the way Catalani did not."

The best side of the score is its operatic vivacity (lots of open-fourth for imitations, bumbling-born choruses, bouncy choruses and dance rhythms winding their way through the story). The less good is what one might call the inheritance of Catalani's passionate, Westerner enthusiasm—outpourings of emotional late-Romanticism, not veristic in manner but still somewhat overblown, that never quite balance the scale of Puccini's rather clinical libretto and characters, and are never properly pinned into place by the emergence of a genuinely memorable tune (even the most famous passage, Wally's "Ebbene, no, no, no, no, no, no," has really more of

melodic manner than actual melody). La Wally conveys a curious not-quite feeling—not vulgar, nor coarsely made, never fully or deeply involving.

The first performance was at La Scala, in the Theatre Royal, that pink-pot theatre, everything was rendered in inevitable close-up, and though under Albert Rosen's experienced guidance the playing of the RTE Symphony was held just this side of the pain threshold, it was easy to imagine how much more light and shade the music—and particularly the vocal lines—might acquire in a larger space. Josella Ligi, who since her unfinished early appearances on the Italian scene in the early 1970s has matured into a notable *spinto* soprano, with a particular lustre in low and middle registers, was kept going at full tilt almost the whole time: the rare delicacies of phrase and tone variation, when they came, were like manna.

Lawrence Bakst, a useful and competent last-minute replacement as the unsatisfactory tenor hero, and Ljubomir

Videnov (fine voice, gawky stage presence) as the no less unsatisfactory baritone semi-villain, were equally unspared and unsparring; the relief provided by Sunny Joy Langton in the light-soprano travesty role (a young boy muddlingly named Wally) was considerable, and delightful. The tale calls for high Tyrolean mountains, a ravine for people to fall into, and a climactic avalanche. The excess of imitating out. Lecca's sets was a necessary Wexford alternative, but their finish was crude, and the topography of the stage illogical. Within these enclosing limitations, Stefan Janaki's production was conventional, unfussy, and energetic. Except when Miss Ligi was singing, the Italian language was much mauled.

The contrast with the third opera of the festival, *Artideante*, was neat. It is a great opera, one of Handel's greatest, and it is of exact Theatre Royal dimensions; it was elegantly designed (by John Otis) and subtly produced (by Guss

Mostart), but clumsily conducted and played, and gravely weakened by the occupant of its title part. Alan Curtis comes to Wexford with a considerable reputation as an Early-Opera Authenticist, which, on this occasion, was borne out neither by the orchestral execution, authentically wayward, nor the dramatic pacing, halting and discontinuous; there was much rhythmic lumbering, and an excess of imitating out. The warm mezzo of Bernadette Greevy is now used with sublime disregard for such niceties as accurate intonation; she moves through Ariadne's tragic emotions like a personable, decently primed rubber hand. Handelian vocal and theatrical values were better represented by Pamela Myers (Ginevra), Cynthia Clary (Polinessa), and the absurdly young-looking Peter Salomaa (the King), but with real security of style only by the Argentinian tenor Raul Gimenez (Lurcanio). The audience cheered the performance loud and long; despite much of the splendour of the work had come through.

Arts Guide

Oct 25-31

Theatre

NETHERLANDS

Nijmegen, Schouwburg, Landa Theatre from London with Thorburn Under the Skin of our teeth. (Thurs) (22.11.00).

WASHINGTON

The Good Person of Szechwan (Arns) Garland Wright directs Ralph Manheim's translation of the Brecht parable in this season opener for a campaigning repertory company. (48.33.00).

CHICAGO

Government Inspector (Goodman): The Gogol with directed against the bureaucracy has enjoyed a sympathetic hearing in America's latest contribution being this season-opener directed by Frank Galati with Keith Reddin starring with I. M. Hobson. Ends Nov 10 (44.38.10).

NEW YORK

As Is (Lyrcum): The first play about AIDS makes gestures toward the whole community disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (29.62.00).

2nd Stage (Majestic): An immediate celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leggy hooding by a large chorus line. (97.02.00).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trans-

dy music is visually startling and conceptually faint, but classic only in the sense of a rubber band and overblown idea of theatricality. (29.62.00).

TOKYO

The Music Man: another Broadway hit performed in Japanese. Hikinbikan Theatre, near Ginza exit of Shinjuku Station (97.10.00).

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Dineen's evocative designs contradict the play's lapsed reputation and place the central tension between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern venefulness by the sea (93.08.32).

Teach Song Trilogy (Albury): Antony Starr plays Harvey Feinstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Feinstein's tackily uneven writing. (83.35.78).

Glad (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to *My Fair Lady*. Beryl Reid rising intently above the material. (83.35.78).

The Seagull (Queen's): Last chance to catch this superb revival by Charles Sturridge to which Vanessa Redgrave and Jonathan Pryce provide the most exciting acting on the London stage. (79.11.68).

Saleroom/Antony Thorncroft

Dada makes a comeback

The most comprehensive collection of Dada art in private hands will be dispersed in London on December 4 when Sotheby's auctions the works amassed by the Italian art historian and dealer Arturo Schwarz, who was a friend of the two most celebrated Dada artists, Man Ray and Marcel Duchamp.

Dada was a short-lived movement, confined by historians to the years between 1917 and 1924. There is disagreement about the origins of its name—is it "Yes, yes" in Rumanian; "rocking horse" in French; or the German term for naivety? There is more agreement that Dada was a way of life, a code of behaviour which opposed the notions of "art for art's sake" and advocated a sense of idealism and the free spirit in an age of increasing materialism.

The full range of Dada art is on offer at the sale—photographs, collages, paintings, prints and a set of Duchamp's celebrated "Ready made." An irony of the auction is that the highest prices will probably be paid for the 13 examples of "Ready made" produced by Duchamp in 1964 to commemorate his 50th anniversary of his original inventions. The originals are either lost or in the hands of museums but his 1964 version of "Bicycle Wheel" is on offer with a £75,000-£120,000 esti-

mate: "Fresh widow" in effect a miniature French window, carries a £30,000-£45,000 forecast, while his most famous invention, "Fountain," a urinal placed on the floor rather than on a wall, should make the same sum.

There are two images of Duchamp's famous brainstorm of the Mona Lisa, with moustache and tiny beard—1913 photograph by Man Ray of the concept (estimate £6,000-£9,000), and a coloured reproduction, heightened with pencil and white gouache, which Duchamp produced in 1964 (estimate £12,000-£15,000). There are also collages by Sewitters, Malet, Berman and Citroen on offer.

With two weeks to go before its deadline the appeal by the Armonies at the Tower of London to keep the Littlecote civil war armour in the UK seems to be on course. It has raised more than £350,000 towards the £580,000 needed but some donors are believed to be waiting in the wings.

Nevertheless, Sotheby's has issued a catalogue for a sale on November 22, which the UK is legally bound to do so but the hope remains that the Littlecote armour, the finest surviving collection of Parliamentary weapons and uniforms, will remain intact and in the UK.

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Bank of Persia	11.1%	National Westminster	11.1%
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FINANCIAL TIMES

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Soviet Utopia postponed

UTOPIA IS postponed. That is official. The Soviet Communist Party says as much in its draft party programme, the first for 24 years, which admits the road to true communism is rockier than it earlier thought, and capitalism not the pushover it once hoped.

In sum, the new programme shows the eastern superpower's ruling elite to be more realistic, and possibly therefore easier for the rest of the world to handle.

These Soviet party programmes come very roughly once a generation. They are meant to be milestones, at which the party takes stock of where it is on the road to communist perfection and gauges the distance ahead. Though weak on argument and strong on assertion, they offer valuable insights into what the Soviet party thinks it is and where it is going.

Early forecasts
 The latest programme rides the party of an embarrassing inheritance. After calling in 1903 for the overthrow of the Tsars, and in 1919 for the establishment of socialism there followed—after a long silent interlude under Stalin—the third party programme in 1961 under Khrushchev which declared that the communist era would dawn in 20 years' time. By 1980, it forecast, the Soviet economy would have overhauled the U.S. and every Soviet citizen would be living rent-free in his or her own accommodation and working a six-hour day without any hard manual labour. Although the Soviet Union came to surpass the U.S. in certain crude categories such as basic steel output and possibly rockets, continued shortages in food, consumer goods and housing affected the quality of Soviet life. The programme risks even to most Russians.

The 1985 programme avoids giving such hostages to fortune. It makes no risky comparisons with foreign countries and sets few specific targets, apart from expressing the hope that Soviet economic output will double and labour productivity will increase by 130-150 per cent by the end of the century.

Most interestingly, it is notably cautious in stating how far the party thinks it has to go to true communism, or what that goal really is. The advance to communism may be "incomparable," but the road to it is

"uneven, complex and controversial."

This lowering of expectations bears the pragmatic hallmark of Mr Mikhail Gorbachev, who though he became general secretary of the party only in March—clearly very much in charge. Also bearing the Gorbachev stamp is the economic portion of the party programme, which calls for better planning guidance from the centre coupled with more regional and factory level initiative, more pay incentives, a better (though not market-oriented) price system, and a modern service sector (though without private enterprise).

Nevertheless, one of the areas in which the Soviet party still seems unrealistic is in its desire to mould the new Socialist man. The new programme says greater efforts should be made to get rid of "bribery, pilfering, loafing, fawning and wind-bagging," as well as the new Gorbachevian emphasis on the campaign against drunkenness. These are ills that afflict all societies, but perhaps particularly a society in which there are still some chronic shortages, in which the state is the sole employer and dispenser of favours, and in which ruling politicians have no legal opposition to cut them down to size.

But for the rest of the world the key assurance, if it is to be believed, is that the Soviet Union is not interested in exporting revolution. If it means anything—and Afghanistan, Kampuchea and others may dispute it—it means the Soviet party feels it has enough on its plate at home without undertaking new foreign adventures. The 1980s so far have seen little Soviet expansionism. One factor in this is the Soviet party's view of the West, which means the West is "still strong and dangerous" and, though historically doomed (of course), has bought time for itself "by constantly manoeuvring to adjust itself to the changing situation."

This may be a back-handed admission that the Soviet Union has all its problems of employment, inflation, and inflation, launched its economy into a new industrial era in which the Soviet Union is finding it hard to compete, and for all the divisions and arguments in the Soviet party, the Soviet military build-up. If so, then this is praise indeed from such a quarter.

There has been a huge outflow of expatriate workers, mostly Yemenis, Indians and Pakistanis, Egyptians, and Filipinos. In the last year it is estimated that up to a million foreigners have gone home out of a foreign population of 20 million. The Kingdom's indigenous population is below 7m.

Among major Saudi traders and contractors there has been a handful of companies which have been successful in securing contracts. Many smaller companies have ceased to trade, some of them announcing, as they have done so, that they are unable to repay their bank loans.

This in turn has led to a little acknowledged crisis in the banking community. The companies like ICI and Pilkington. But this can happen only if the Government agrees to over-ride further the forces of free competition. It is the classic argument for any industrial subsidy; and the classic retort of the Thatcher government has been that there may well be better uses for the money.

Yet that does not dispose of the long-standing argument that large industrial users of electricity are being treated unfairly in comparison with their competitors on the Continent.

Price advantage
 The evidence is mixed, but there does seem to be a consensus that special tariff deals for all its problems of employment, inflation, and inflation, launched its economy into a new industrial era in which the Soviet Union is finding it hard to compete, and for all the divisions and arguments in the Soviet party, the Soviet military build-up. If so, then this is praise indeed from such a quarter.

IN THE last six weeks Saudi Arabia has pulled itself back from the edge of a major economic crisis, but the Kingdom still faces an unaccustomed period of difficulty as it adjusts to the impact of lower oil prices and curtailed production.

During the summer Saudi oil production fell to levels not seen since the early 1980s. By August it had revenue earning exports of not much more than 1m barrels a day, equivalent to about 15 per cent of its exports at the beginning of this decade.

So not surprisingly, business climate in the Kingdom is the long summer holidays came to an end was extremely pessimistic. The recession which had begun in the early 1980s, when the effects of lower oil production began to feed through to the economy as a whole, was becoming deeper and the Government seemed unwilling to compete for higher production with the other members of the Organisation of Petroleum Exporting Countries (Opec).

Foreign businessmen and the more hard-headed Saudis were beginning to talk openly of the Government being incapable of managing the economy. Now conditions have improved. In the last six weeks the Government has pushed its oil shipments to over 3m b/d and it says that it intends to increase this level a little during the winter.

But even if it does this it will not be out of difficulties. Over the financial year as a whole it is still unlikely to receive more than half of the oil revenues it seemed to anticipate when it announced a \$50bn budget in March 1985. The Government denies it, but the Kingdom has been running down its liquid financial reserves by \$1bn-1.5bn a month. In March these stood at \$60bn-70bn, already \$30bn below the figure of early 1985. At the same time most government construction projects have been postponed or have had their implementation stretched. Contract managers can now get construction bids for a wide range of projects for less than they had to pay over 40 weeks. Rates are down by 40 per cent on 1982 levels and share prices have fallen by up to 70 per cent.

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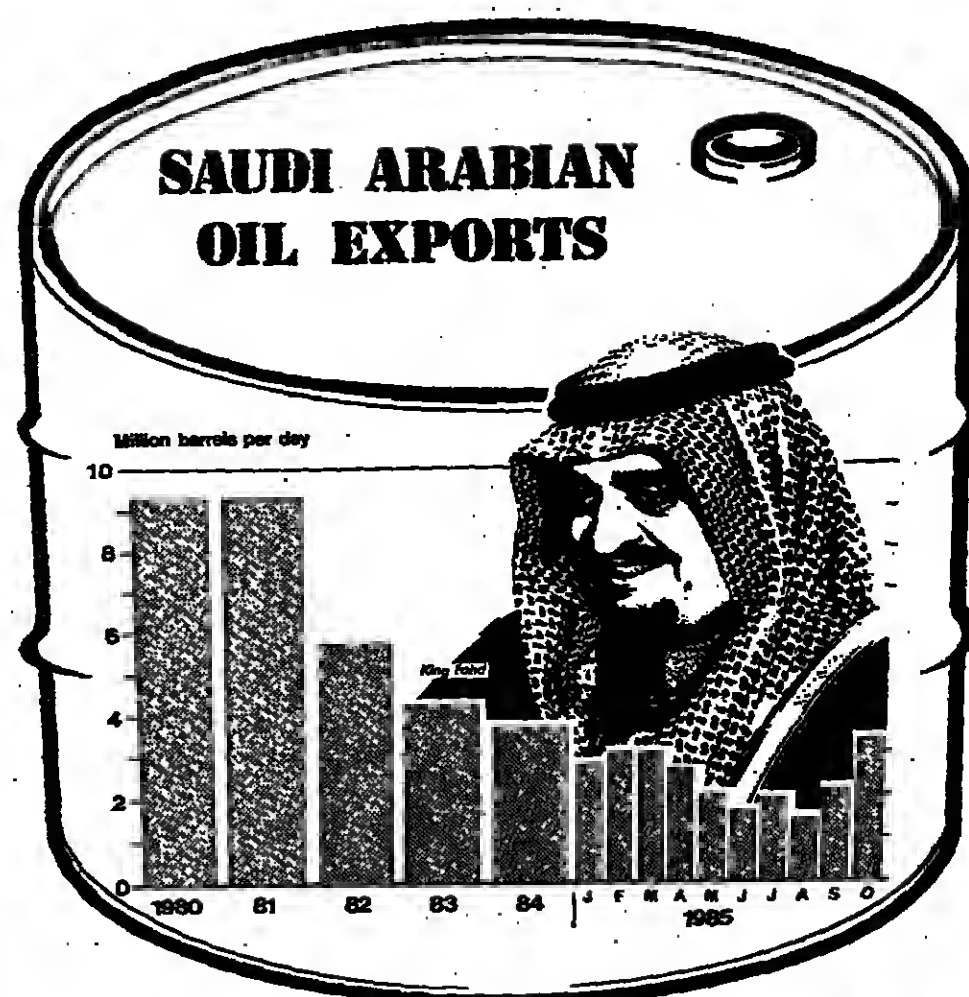
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Yet that does not dispose of the long-standing argument that large industrial users of electricity are being treated unfairly in comparison with their competitors on the Continent.

THE SAUDI ECONOMY

The Kingdom feels the pinch

By Michael Field



Foreign businessmen and the more hard-headed Saudis were starting to talk of the government being incapable of managing the economy

the two holy cities which the King has grown to love.

What is striking in Saudi Arabia is the difference one finds in people's reactions to the Kingdom's problems.

On the one hand is what might be described as the "modern Western view" which is held by most Western and Arab expatriates and by the more cynical or more modern-minded Saudis—in fact by all those who consciously or unconsciously expect of Saudi Arabia the aspirations and behaviour of a modern Western society.

These people are greatly alarmed by the Kingdom's performance. On the other hand, there is the traditional Saudi view of events, held by the mass of businessmen, government officials and members of the royal family. These people are quite relaxed about the recession.

One explanation for the contrast of views is that Saudis are attuned to a culture which does not like to face problems, or which believes, in fact, that to state a problem is to lessen

the chance of a solution. These people therefore see nothing alarming in the Government's refusal to admit the Kingdom's difficulties—something particularly odious to expatriates.

Another explanation may be that most Saudis, if they found their standards of living dramatically reduced, would care about it much less than Westerners in similar circumstances.

This is despite the fact that many new middle class families, with fortunes made from land given to them by princes, from contracting, trading or from minor corruption, do live extremely expensively. They employ a Filipino or Pakistani cook and servant and a chauffeur for the women of the household, who are not allowed to drive. The entire family may fly between Jeddah and Riyadh to see relations every weekend.

Certainly it does not seem that the recession holds a greatly increased political threat to Saudi family rule under the current great tide of domestic

discontent. The consensus in the Kingdom is that the long-established and growing dissatisfaction of the more intellectual elements of the bourgeoisie—who are themselves extremely rich, will not turn into open opposition unless Saudi Arabia suffers some external misfortune, such as being drawn into conflict with Israel.

The worst prospect for the Kingdom is that the long-established and growing dissatisfaction of the more intellectual elements of the bourgeoisie—who are themselves extremely rich, will not turn into open opposition unless Saudi Arabia suffers some external misfortune, such as being drawn into conflict with Israel.

As it happens, it seems more likely that oil receipts will soon increase, even though the Government's policy of raising production by giving subsidies to discount carriers with it the threat of a collapse in prices. In the long term, Saudi Arabia, with the biggest oil reserve in the world, may have an interest in seeing its crude priced at say, \$16 a barrel, compared with

the present official average level of \$27, but in the short term a fall in prices would offset much of the benefit of an increase in production.

In any event it seems likely that from now on the Kingdom will be taking a tougher, more self-interested line in Opec.

The reason why the King, who takes all decisions on all matters, has resolved to take this risk is not that the Ministry of Finance and Economy has given him figures which suggest that a production increase in a glutted market is the least undesirable in a range of unattractive options. Saudi government does not operate on such technocratic lines.

What has happened is that numbers of influential princes and important businessmen have complained to the King that conditions have become intolerably difficult. Other younger businessmen have talked to junior princes and the princes in turn have passed on what they have heard to their uncles; they prefer not to broach such delicate subjects with their fathers.

By this informal but well-tested osmotic process popular feeling reaches the King. If, in response to a rise in oil revenues and government spending, the economy begins to gather pace again, it does seem likely, as the Government hopes, that part of the private sector will be much more efficient than it was in the early 1980s.

The elite private companies are investing in new manufacturing projects to take advantage of the enormous fall in construction and operating costs of the last two years and the array of their competitors. Part of the Olayan group is building several new plants to produce household products, such as snack foods, paper cups and packaged meats, which it has so far imported. At the same time E. A. Juffali & Bros is starting work on a factory to make components for desalination plants.

These companies—and many foreign companies that are long established in the Kingdom—argue that they are part of the Saudi economy, whether they like it or not and that they have to think of what is going to earn them their incomes in five years' time.

Exactly what the Saudi economy will be like then is anyone's guess. The betting in the Kingdom leans towards an upturn in revenues next year, though there is a strong minority body of opinion which predicts an oil price war.

While higher revenues would stimulate the contracting business, which is the motor of the private sector economy, it is assumed that whatever happens the problems of the banks, which are living with the results of spending cuts in 1983-84, will continue to worsen for a year or so at least. An export market the feeling is that Saudi Arabia will be no more than half the size that it was at its peak and that for the foreseeable future the golden days will not return.

Sipra's novel adventure

Ash the Jonson Matthey Bankers As the Jonson Matthey Bankers saga continues, few can have thought of turning to the pages of the *Booker* to learn something of the current activities of leading debtor, Mahmoud Sipra.

But it is in the book trade's journal that the pre-publication campaign is now under way. Sipra's first novel—*Pawn to King Three*.

Publishers Rainbow/Michael Joseph are clearly intent on adding to the "storm of media interest" already generated by the author by spending some £20,000 on publicity and arranging for him to tour the country.

No doubt Peter Copp, the court appointed liquidator of Sipra's company, is penning the January 13 publication date in his diary. Having cancelled two meetings with Copp earlier this month, Sipra left the UK earlier suddenly on October 12, destination unknown.

Men and Matters

MMB) but another novel is on the way—on fraud in the insurance business, apparently.

Norway's consumer ombudsman, Hans Petter Lundgaard, earlier this year summoned to his office a number of mail order companies to discuss the allegedly extravagant claims for some of the products they advertised.

One publisher sidetracked the issue by offering Lundgaard free space in his next catalogue to describe the allegedly advertised test the public's gullibility with a fictitious advert.

Lundgaard accepted—and dreamed up a miracle product which he called "Lundgaard 3000-X" ("fool'em 3000-X" in English) which, among other things, could cure baldness, improve car engine performance and help alchemists shed unwanted kilos.

Works wonders

Several hundred orders for the wonder-working pigment of his imagination have already arrived at Lundgaard's office.

Quality man
 It is four or five years now since the quality of British goods and services was a topic of passing interest in the public prints. But the interest—stirred by Japanese competition—seems to have been quietly sustained in some sectors, at least, of British business.

British institutional investors have just taken a 50 per cent stake in the Florida-based consultancy, Philip Crosby Associates, headed by the arch-apostle of quality management.

Philip Crosby, 58, was Harold Geneen's vice-president responsible for quality at TTT until 1979 when the success of a book he wrote about his ideas (Quality is Free) decided him to

Blown up

Only three of the British merchant banks will continue to exist in traditional merchant banking form after the City deregulation—the Big Bang—next year.

I'm quoting Databank, the corporate strategy analyst, which published a report on British Merchant Banks today.

And the lucky survivors? The analysis forecasts that only Kleinwort Benson, Morgan Grenfell, and S. G. Warburg, "will avoid the need to specialise their activities in order to compete."

The theme of the report is that the others are short of the necessary technology and organisation needed to continue to be competitive across the board.

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 DUSSELDORF
 Ian Ferguson, Schlossparkstrasse 1, D-4000 Düsseldorf 13. Tel: (211) 719011. Tlx 17211 4082.

Observer

Five minutes to midnight...

IT WAS a bold and imaginative idea. Ford of Europe would merge with Fiat's car business and at one stroke revolutionise the European motor industry. Between them the two companies would have over 20 per cent of the European car market, well ahead of any rival, and the potential for economies of scale, savings in investment, pooling of research and technology would be enormous.

It was also an idea which caused consternation and dismay among the middle managers of both companies. They knew that, should the merger take place, two executives would be fighting for each position.

The plan — the brainchild of Bob Lutz, chairman of Ford of Europe — was not to be. Unresolvable differences in corporate culture and legal difficulties were among the reasons the two companies decided recently to call off the merger talks.

So where does the idea of Lutz? Some think Ford of Europe is worse off than it was a year ago. There are suggestions, for example, that the introduction of replacements for two important models, the Escort — Ford's best-selling car in Europe — and the Fiesta have been delayed because of the Fiat negotiations.

In 1984 Ford of Europe, once the jewel in its worldwide crown, made a marginal net profit of \$147m, down from \$281m the previous year and the peak \$1bn achieved in the organisation's heyday only five years ago.

This reversal of its fortunes in Europe caused so much concern at Ford's headquarters in Dearborn, Michigan, that last summer Mr Lutz, previously Ford of Europe chairman from 1979 to 1982, was sent scurrying back to sort out the mess.

Soon he was banding out warnings that Ford simply had to do something about its excess capacity — either cutting horizontally and closing some capacity, or cutting vertically and working one shift. Sierra production lines at Ford's factory at Ghent, Belgium, or even the Escort assembly facility at Halewood in Britain, appeared to be in question.

Mr Lutz says, however, that since last summer several factors have taken some pressure off the company. The Scorpio/Cronos line at Ford's factory in Ghent, Belgium, or even the Escort assembly facility at Halewood in Britain, appeared to be in question.

Ford has also raised prices and unit profit margins this year, gritting its teeth at the need to sacrifice some market share. Lutz says, to his surprise, the fall in market share was less than expected — from 13 to 12 per cent. At the same time European car markets have remained more buoyant than Ford predicted.

According to Lutz, because of higher volumes, a "richer mix" (more higher-priced cars in the total) and continuing cost-cutting, financially Ford of Europe "is doing considerably better than last year — the results are not satisfactory, but they are much better."



Kenneth Gooding talks to Bob Lutz, (left), chairman of Ford of Europe, about the company's future after the breakdown of merger talks with Fiat

Some Ford insiders suggest that Lutz will not ease up the pressure until Ford of Europe once again tops \$1bn pre-tax profit.

Lutz maintains that, in spite of the improvements, he cannot give a guarantee about plant closures. "In the final analysis we have to be cost competitive with Japanese imports and with the Japanese factories in Europe (such as Nissan's in the UK) which might have an even greater cost advantage."

He points out that the Japanese can produce a car for about \$1,000 less than the Europeans but, once freight and the 11 per cent European Community tariff have been paid, Ford's German plants can compete. "Because of the high value of sterling we are not quite there in Britain, though."

Lutz insists: "If we find we have major assembly facilities, regardless of the country involved, which for one reason or another — perhaps uneducated government action (giving longer holidays, a shorter working week) or union intransigence — cannot be competitive, we would be obliged to close them."

Neither would the group

resist importing many more components or even building vehicles from outside Europe.

Whatever happens, Lutz will continue to attack costs. Among other things, this means a gradual reduction in the workforce. Since 1979, between 2,000 and 3,000 hourly-paid workers plus 800 to 1,200 white collar staff have gone every year, and this pace will continue. "We should be able to achieve this without any forced redundancies," he says. How long will the process go on? "Until we are competitive with the rest of the world."

Lutz, 52, is charismatic, tall, slim, grey-haired and energetic.

The Fiat talks convinced them that it really was five minutes to midnight for Ford of Europe. So the talks provided a major catalyst for change. The middle managers want to prove they can do what is necessary on their own — there is much more intensive thinking about how we can put our house in order."

Lutz maintains that the Fiat talks were beneficial in other ways. "Fiat got into difficulties before Ford of Europe and started attacking some of the problems with their cost base, internal restructuring, product rationalisation, headcount reductions, sooner than we did. In the detailed look the companies had of each other during the exploratory phase we both learned. There were things about how to do things better that we willingly shared."

Lutz says delays to Ford's Fiesta and Escort replacement programmes, had nothing to do with the Fiat talks.

There is still the possibility that Fiat and Ford might share some future joint ventures. Lutz maintains that relations between the companies have not been soured but there will be a moratorium of at least a couple of months on discussions about joint projects.

In Europe, the trimming so far indicates Ford's policy of cutting back to its core business — vehicle assembly. Already it has cut out foundry operations, wheel manufacture, truck axle production and seems set to give up that spark plug plant. Lutz says: "Our guiding principle is that we are not going to support anything which is inefficient by world standards. Quietly and calmly we will do what is necessary. If there is the chance to become more efficient by buying a component from an outside supplier (which after all is the Japanese approach) we will do just that."

He says his company is very proud of Ford of Europe and believes that the car industry can succeed.

"But there has to be a very strong realisation that the underlying, fundamental problem of lack of cost competitiveness versus the best in the world will not be solved without years of unrelenting, dedicated action and no let-up."

"We might get intervening years of reasonable profits but until we reach that point the job won't be done. It won't be done until we get our costs down very close to Japanese factory costs."

WHEN a person says an exchange rate is "overshooting," he has a problem. If you go on a rifle range and miss wildly, you may over see where your bullet went, but at least you can see the target. Ever since the DMF was founded, experts have been discussing "fundamental equilibrium exchange rates" or FEERs, a term coined by the distinguished international economist, John Williamson.

In this article we present calculations which do not pretend to be actual FEERs but are numbers of a kind which most economists agree should indicate their trend, and which many economists also believe will actually tend to converge to their absolute level. These numbers are "purchasing power parities" or PPPs, adjusted to exclude the effects of non-traded goods. For one commodity, the PPP between two currencies is the exchange rate which equalises the price of the commodity in both countries. The corresponding national PPP is an average which does the same thing for the general price levels.

Every tourist knows that in different times and countries things in general seem cheap or dear. In jargon, they are experiencing deviations of market rates from PPPs. Not in truth there seem to be only a limited number of reasons why such differences might persist. Tariffs and non-tariff barriers to trade are one example; major exportable natural resources, like oil, another.

Our calculations for nine leading currencies, however, show only one really strong apparent example of long-term deviation of market rate from adjusted PPP, namely that of Italy, whose market rate has been on average 25 per cent undervalued for the past decade: but we don't really believe this is a genuine case, rather that our statistical methods, based on the structure of advanced industrial countries, may go wrong when applied to a "dual economy" such as that of Italy.

How have the numbers been calculated? They are in several ways unique. In the first place, unlike other calculations relating to "real" exchange rates, they do not depend on an arbitrary base: the PPPs we use relate to international comparisons of real income levels at their indicated times. Secondly, our numbers are uniquely up to date: our computer programme can produce spot reports within minutes of receiving the current market rates. The calculation of national PPPs takes years: the master researchers are Professor Irving Kravis and colleagues at the University of Pennsylvania and Dr. H. K. Kriesel-Locks of the EEC Statistical Office. More recently, the OECD Statistics Division, led by Peter Hill, has valued/entered the fray. But these

MARKET EXCHANGE RATE DEVIATIONS FROM PRODUCTIVITY ADJUSTED PURCHASING POWER PARITIES

SPOT CROSS RATES AT CLOSE OF MARKET: October 25 1985*

	U.S.	U.K.	France	Germany	Italy	Japan	Belgium	Denmark	Netherlands	EMS
U.S.	—	+28	+36	+34	+56	+5	+42	+21	+33	+39
U.K.	-22	—	+6	+4	+21	-18	+10	-6	+4	+8
France	-36	-5	—	-1	+15	-18	+4	-11	-2	+2
Germany	-35	-4	+1	—	+17	-22	+6	-9	-1	+3
Italy	-36	-15	-13	-14	—	-33	-9	-22	-13	-11
Japan	-5	+23	+30	+28	+49	—	+35	+16	+27	+32
Belgium	-29	-9	-4	-5	+10	-26	—	-14	-6	-2
Denmark	-18	+6	+12	+10	+29	-14	+17	—	+10	+14
Netherlands ...	-25	-4	+2	+1	+17	-21	+6	-9	—	+4
EMS	-28	-7	-2	-3	+13	-24	+2	-12	-4	—

NATIONAL AVERAGES†

	Trade weighted	Spot
(date above)	+25	-7
1984	+34	-13
1975-84	-4	-6
Median		
(date above)	+33	+4
1984	+41	-3
1975-84	-7	-11

* + = % overvaluation of row currency against column currency, - = corresponding undervaluation. † + = % overvaluation of column currency against others.

New light on the trend of real exchange rates

By Robin Marris and Steven Martin

works can only be published with lags of at least several years.

We have made studies of the relationships between the movements of national retail price indices and general price trends, which enable us to build accurate current PPPs on the statistical foundations already established. Finally, we have dealt with the problem that the basic research workers, being primarily concerned to use PPPs for international comparisons of real income, use numbers which include all goods, traded and non-traded. But for the reasons already given, we want numbers with non-traded goods excluded. In practice these goods are mostly labour-intensive services, and the bias caused if they are not excluded is statistically correlated with a country's real wage level, which is in turn correlated with its productivity level. We have developed a new method of correcting for this bias, the results of which are called "productivity adjusted purchasing power parities" or

the table gives the deviations of 36 current market cross-rates from the corresponding PAPPs together with national averages. As well as the trade weighted average, we also give the median, that is the number that divides the array of data in half. This is a useful statistic for reducing the effect on individual countries' averages of extreme deviations of highly weighted currencies for example, because of the current extreme position of the dollar, the pound's trade-weighted average shows slight undervaluation. Using the median, we get the opposite conclusion.

What does the table tell us about the hot questions, like where will the dollar end up? At what rate should the UK enter the EMS? Where should the pound go generally? What, if anything, should happen to the yen?

Over 1975-84 the dollar was "well-behaved" — close to average parity. Today, on the median average it is 30 per cent over the odds generally, 35 per cent up on the D-Mark (if the

dollar came down to world-wide parity, the \$/DM rate would be 2.3 against current spot 3.78), 40 per cent up on the whole EMS, but only slightly up on the yen: the latter currency, having been only slightly above parity during the great Japanese export boom, is now, on the median parity (that is damping the dollar), sharply up.

If Britain's economic recovery needs a market rate moderately below PAPP (to help exports), we need to go down maybe 15 per cent on the median average, maybe 20 per cent against the EMS. The current sterling EMS rate (2 per 100 Ecu) is around 60. It probably ought to be nearer 70. The £/DM rate is currently about DM 2.65 to the pound: this probably ought to be about 2.3.

If the pound also fell as suggested, the £/\$ rate would be around \$1.60. If the pound failed to decline, we could be talking of \$1.75!

Robin Marris is Professor of Economics at Birkbeck College, London University. Stephen Martin is Economist at the Woolwich Building Society.

International debts

From Professor R. Thorn.

Sir,—Any permanent solution to the international debt crisis must meet three criteria: repayment terms must be related to the debtors' ability to repay (it must be a function of the current account surplus or the balance of payment or some closely related magnitude); it must be recognised that the absolute indebtedness of the debtors will have to increase if their economies are not to be disrupted with unpredictable and potentially dangerous consequences; and liquidity and regulatory problems of the commercial bank creditors must be resolved. Illiquid foreign loans of many large international banks are a potentially dangerous situation.

To meet the first criteria, the total debt service, interest plus amortisation of principal, should not exceed a specific maximum, eg. 50 per cent, of a debtor country's exports. If this sum is not sufficient to cover the interest service, the shortfall would be added to the principal outstanding.

Attempts to set fixed repayment standards based on imprecise forecasts, which may or may not be realised, only serve to create future problems and conflict between debtor and creditor. The linkage proposed simply recognises the reality of the situation. While it might be felt this weakens a country's incentive to meet its commitments, these incentives, at present, are better built into the conditionality of IMF credits to the debtor.

To enable, and, if necessary, compel, banks to allow some growth in gross indebtedness to permit the debtor countries to pursue their normal economic development and, at the same time, not to aggravate the illiquidity of the banks, that part of the debtor country's indebtedness could be funded through issuing consols (bonds without maturity which pay interest in perpetuity). For each additional increase in net credit that a creditor bank grants to a debtor country, it will be allowed to convert three times the sum of outstanding principal into consols. This consols to bear the joint and several guarantees of the debtor, creditor and the IMF.

A limit on the total amount of new indebtedness could be linked to the growth in gross national product or the growth in exports. This conversion into consols would result in several benefits. It would lower the interest burden of the debtor since the consols would sell at an interest rate close to that of World Bank Bonds. This would partially reduce the burden of principal repayments making it easier to service the

Letters to the Editor

remainder of the debt and it would make the creditor banks more liquid. Consols, given their guarantee, should find a ready market. This alternative may prove sufficiently attractive that banks would voluntarily increase their credit within the limits prescribed. At some future time, a programme for the eventual retirement of consols would be devised.

There are, of course, many details that require treatment that cannot be dealt with here. The merit claimed for the above programme is that it is practical. Any programme that does not satisfy the three criteria will be short-lived at best. It is desirable that a more consistent and equitable treatment of debtor countries replace the current ad hocery and a longer-term solution be sought.

(Professor) Richard S. Thorn, Economic Policy Institute, University of Pittsburgh, Pittsburgh, PA 15260, USA.

Bank backing for Mr Baker

From the Managing Director, ISCA Banking Analysis

Sir,—Your leader of October 28 is bewildering. You argue that the Baker plan is generous although quite why it is generous for a government official to declare that banks should lend another \$20bn to a group of countries of poor credit standing is not clear. You then argue that if banks don't lend more they should be punished by having to set up provisions. This really won't do. Provisions are meant to be set up in accordance with management's best judgement of the credit risk in their portfolio. The idea that some outside authority should award provisions, like detention at school—not enough to Peru, Sir Jeremy, take a 10 per cent provision there and 5 per cent for all the rest—is absurd. It is also illogical to suggest that a regulatory authority could require heavier provisions from the conservative banks who had decided that enough was enough.

The crisis is serious and the Baker plan is important. But its importance is surely that, at last, the U.S. administration is starting to acknowledge that lending to less developed countries is not just a matter to be left to the banks. By all normal

prudent measures the major banks in the world have lent more than they should to these countries. This would indicate that future lending, if it is necessary, should be initiated by Governments rather than banks. Politicians have been inconsistent in the substance of their attacks upon the world's bankers who at one moment have been castigated for their past imprudent lending and at the next cajoled to make more loans to these very same borrowers. More attention should now be paid to achieving a solution in the interest of everyone even if this does not result in the chastisement of banks.

Robin Monro-Davies, 3 Eldon Street, EC2.

Sierra Leone's hopes

From the Secretary-General, Sierra Leone Alliance Movement

Sir,—Peter Blackburn got it right in "Sierra Leone pins its hopes on diamonds" (October 24) when he wrote quoting bankers and traders according to whom the market for diamonds of the state-controlled Precious Minerals Marketing Company (PMMC) "remain a mystery" and that "no foreign exchange has been surrendered for several months."

This will come as no surprise to us Sierra Leoneans who have seen many state-controlled institutions come and go with little or no accountability. The irony is that despite the convulsive economic desperations of recent years, Sierra Leone is now going to "pin its hopes" on yet another transparent and seemingly "unaccountable" body for its future development, as a source of urgently needed foreign exchange.

The tragedy, alas, is that the generation of foreign exchange is pursued purely in order to satisfy the selfish and outlandish demands of a minority urban elite and not as part of an overall strategy for national economic development. The vast majority of the population—the rural poor—are at best ignored.

As famine and the encroaching desert continue to devastate or threaten areas of our region, the neglect of the agricultural sector by our Government will prove to be suicidal. Sierra Leone has vast tracts of arable,

fertile lands which, under proper management, would generate most, if not all, of the foreign exchange needed for development. The new avowed reliance on mining, a wasting asset which might even lead to assimilation (hence the destruction) of these lands, will only spell doom for this and future generations of Sierra Leoneans.

Ambrose Ganda, 20c Jeffrey's Place, NW1.

A leap in the dark

From the Earl of Buchan

Sir,—I don't know if it is you or if it is me but as you printed the article (October 26) and didn't notice I read it and said, "don't see why I shouldn't have a go at you!"

How did you manage to survey the City, pre-leap and post-leap, without ever mentioning the single most important factor that kept the City afloat? "Alot," "parochial" and "with a declining share of international business?" I refer to the existence of a stultifying and efficiently policed exchange control system run by the Bank of England, that same organisation incidentally which produced the executive director, (a former Treasury official) who then became so critical of the bank in relation to the financial services sector?

I lived and worked for many years with the dollar premium. I could quote you umpteen speeches and reports suggesting to the Government that it get rid of it because of the damage it did. By the time it was done away with, the Euro-Dollar nag had bit.

Buchan, 31-43 Gresham Street, EC2

Middlesbrough is informed

From Mr C. Wheat

Sir,—Colin Amery (October 28) states that a man from Middlesbrough would not have the faintest idea what was going on if he went into a Jembs designed house. He then goes on to say that in fact it is not complicated.

We in Middlesbrough are familiar with symbolic objects, mass and post-modernism and it is a gross insult to architects and residents of Middlesbrough to utter such rubbish.

It is bad enough that there is an enormous social divide between the north and south but to infer that there is an intellectual divide also leaves me disgusted. I am surprised at Colin Amery and at the FT for the lack of judgment in allowing this statement to be printed.

Cyril Wheat, 7 Tasmanian Square, Middlesbrough, Cleveland.



Extract from Interim Report January–August 1985.

Sales and Earnings: Consolidated sales during the first eight months amounted to SEK 19,971 m. (16,165), an increase of 24 per cent compared with the corresponding period last year. Sales outside Sweden increased by 24 per cent to SEK 12,538 m. (10,087), corresponding to 83 per cent of total sales. Exports from Sweden increased by 22 per cent to SEK 8,236 m. (6,733).

Order bookings amounted to SEK 20,760 m. (16,300). The increase referred principally to Saab cars and an order for 24 used Saab 35 Draken military aircraft to Austria. The order backlog amounted, at the end of the period, to SEK 19,750 m. (16,000).

Consolidated income before extraordinary income and expenses improved by 12 per cent to SEK 1,610 m. (1,443), corresponding to 8.1 per cent (8.9) of total sales. Income per share (after 50 per cent income tax) for the period amounted to SEK 33.30 (30.25).

Pre-tax return on total assets for the last 12 months period amounted to 15.8 per cent (16.1). Calculated on total assets, noninterest bearing liabilities excluded, the pre-tax return amounted to 22.5 per cent (22.9).

Capital Expenditures: Capital expenditures for property, plant and equipment amounted to SEK 1,098 m. (1,088). Capital expenditures in the Scania and Saab Car Divisions amounted to SEK 902 m. (925).

Forecast: The forecast made earlier is valid. The Saab-Scania Group is expected to reach an income for 1985 at least at the same level as the earnings of 1984.

The annual report bulletin for 1985 will be issued on February 27, 1986.

For further information, write to Saab-Scania AB, Corporate Communications and Public Affairs, S-581 88 Umeå, Sweden.

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FINANCIAL TIMES SURVEY

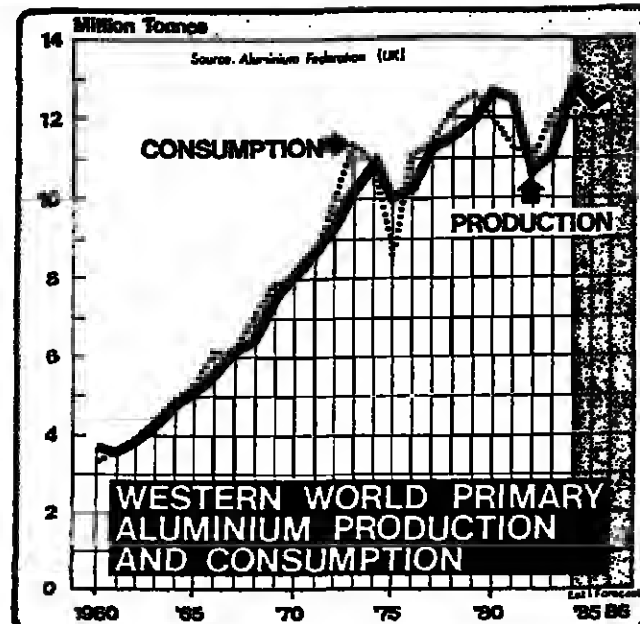


New uses for aluminium: this windsurfer spreader bar won first prize for Bill Brown of Makefast Ltd in the Alcan design competition

ALUMINIUM

Producers and fabricators continue to suffer from the cripplingly low market price for aluminium. So far, the markets remain unimpressed by efforts to bring supply back into line with demand by reducing output and so more smelter shutdowns can be expected.

Unrest at the milestone



BY IAN RODGER

THE WORLD aluminium industry is preparing to celebrate a significant milestone next year, the 100th anniversary of the development of the Hall-Heroult electrolysis process which made possible the economical high volume production of this light, versatile metal.

But the industry approaches this milestone in a state of considerable unrest, as major structural changes, set in motion in the 1970s, continue to work their way through.

The key problem for the aluminium industry in the past few years has been the slow-down in consumption growth rates, from the glorious 7 per cent annual increases of the 1960s and early 1970s to something more like 2 to 3 per cent on average. That in itself might have been manageable if other factors affecting the industry had remained fairly stable.

But the industry has also had to cope with the sharply rising price of electricity, one of its main production inputs, and with volatile exchange rates.

Aluminium is one of the most international of basic manufacturing industries. A few large, integrated companies operate bauxite mines, alumina refineries, aluminium smelters and fabricating plants in many countries.

There is also a growing

number of independent producers, but wherever they are, international trade in both raw materials and output tend to be important.

The large movements in energy costs and exchange rates have caused havoc in the relative competitive strengths of various producers and countries. For example, the Japanese have virtually abandoned aluminium smelting in the past four years, cutting annual output from more than 1m tonnes a year to less than 300,000 tonnes.

Four years ago, a large, modern smelter at Invergordon in Scotland had to close because the high value of sterling and high electricity costs made it uncompetitive. Today, with sterling at a much lower level, another modern Scottish smelter at Fort William is one of the most competitive in the world.

More competition

As if these problems were not enough, the industry has also had to cope with increasing competition from competitive materials, such as plastics, in some of its traditional markets. It is hardly surprising that customers who have seen the upheavals in the aluminium industry and the increasing volatility of aluminium prices have been tempted to move to other materials.

Aluminium has lost ground in the home improvement

market, for example, and has failed to penetrate the automotive industry as quickly as producers hoped in the 1970s.

The big integrated aluminium producers, who once dictated the health of the industry, are the principal victims of the upheavals.

On the other hand, their fabrication operations have difficulty obtaining reasonable prices, because customers expect to pay rates that are related to those quoted on the terminal markets, such as the London Metal Exchange, for primary metal.

The return on equity of Aluminium Co of America, the largest U.S. producer, has not exceeded 10 per cent since 1980, and the company has just reported slightly lower third quarter net earnings of \$57.1m and forecast little improvement for the rest of the year.

Mr David Culver, president of Alcan Aluminium of Canada, the world's largest integrated producer, told a financial analysts in Montreal earlier this month that, in his view, demand for aluminium would grow at only 2 to 3 per cent for the foreseeable future.

That meant the company, which earlier this year made major cutbacks in its headquarters staff, would have to diversify into high technology industries and concentrate on finished products if it wanted to establish a solid growth pattern again.

In pursuit of this new strategy, Alcan has just spent \$115m on a significant minority interest in a Canadian high technology company best known for its boom grappling arm used on the U.S. space shuttles.

Other integrated producers had already embarked on similar strategies. Alcoa, for example, has been diversifying into sophisticated automotive components and computer disc manufacture. Alusuisse of Switzerland has also gone into automotive components and chemicals.

These and other companies are also making major efforts to solve the problems that have been hurting aluminium's competitive position in some markets. To some extent, the industry has been the victim of its own complacency, satisfied with its existing markets—packaging, aerospace and engineering—and confident they would keep on growing.

Now, most sectors of the industry are embarking on major promotion campaigns, aimed at educating engineers and engineering students on the merits of the metal.

However, the industry's biggest marketing problem is the volatility of the aluminium price. Whether the customer is a maker of beer cans or of flexible packaging, he does not like using a raw material whose price can gyrate wildly over a short period of time.

Aluminium prices slumped to under \$1,000 a tonne in late 1982, but then soared to more than \$1,600 a tonne a year later. They dropped again to about \$1,000 a tonne in 1984 and have stayed roughly in the \$1,000-\$1,100 range ever since.

Some people argue that the price has been reasonably stable in the past two years, and that this is an indication that the volatility may be easing. But the current stability is at a level at which few, if any, producers can make a satisfactory return on their primary smelting operations, so it is only a matter of time and more restructuring before prices start to move again.

Nevertheless, producers hope that one effect of the big restructuring achieved already will be to prevent the price rise, when it comes, from being as high—and short-lived—as it was two years ago. There is some evidence to support them. The smelters which have survived the last five years are, in general, those which have the lowest operating costs.

In some cases, such as Alcan's big smelter complex in northern Quebec, the costs were already low because of the availability of cheap hydroelectric power. But there and elsewhere, producers have made huge efforts in the past few years to cut all their costs.

In a few cases, such as the British Alcan smelter at Fort William in Scotland referred to

earlier, a major investment programme in new, automated production lines has brought with it a 30 per cent improvement in energy efficiency, permitting increased output from the same amount of power.

For its part, Pechiney, the French producer, has undoubtedly given its customers an increased feeling of security by recently negotiating a 10-year FFr 2bn power deal with Electricité de France. This follows a 25-year FFr 2bn deal it made with EDF in 1963. The two cover more than half of Pechiney's basic electricity needs.

Low cost capacity

The cumulative effect of these and other improvements is that the industry as a whole has more low cost capacity than ever. Commodities Research Unit, a London consulting group, estimates that the combination of lower alumina prices, lower power prices and other factors has caused average smelter operating costs in the Western world to fall by 6 to 10 per cent in the past year.

That means that probably a considerable amount of the existing idle capacity could be operated economically with only modest increases in prices. If that capacity did return to production, it would moderate the price push.

Analysts expect western world output to be about 11.9m

tonnes this year, nearly 5 per cent lower than last year, while consumption should rise marginally, perhaps by 1 per cent.

So far, the price has stubbornly refused to move. The big surprise in the past year or so has been the failure of stocks to decline as rapidly as the rate of smelter closures would have suggested. Total western world inventories, as published by the International Primary Aluminium Institute in London, were 4.1m tonnes in August 1985, only 3 per cent lower than a year earlier.

Analysts still believe the closures will have an impact, but this has been delayed because the actual closures often happen some months after an announcement is made. Also, consumers have learned to live with much lower levels of stock than in the past.

Another hopeful sign was the recent meeting in Buenos Aires of a number of producers from developing countries. Until now, almost all of the production cutbacks have come from

smelters in the industrialised countries.

Elsewhere, producers are often controlled by governments that are less sensitive to market prices than to the need to maintain employment and earn foreign exchange. Apparently, the price slump has begun hurting them as well. Another meeting is to be held in January when they might agree on production cuts.

However, it is all a bit uncertain, and so the outlook for the industry remains difficult to predict. But it would be wrong just to contemplate the industry's problems at this time. Next year marks the 100th anniversary of the year in which a Frenchman, Paul Heroult, and an American, Charles Martin Hall, working independently, developed the electrolytic process for smelting aluminium.

The Hall-Heroult process, as it is now known, enabled aluminium to be produced at prices customers were willing to pay.

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Jules Verne was right.



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ALUMINIUM 2

On this and the following two pages the survey examines the performances and prospects of some of the principal countries involved in production

Fall in U.S. dollar aids industry

Canada

ROBERT GIBBENS

THE BEST news for the Canadian aluminium industry has been the 10 per cent slide in the external value of the U.S. dollar this year and last month's Big Five commitment to a controlled descent over the next year.

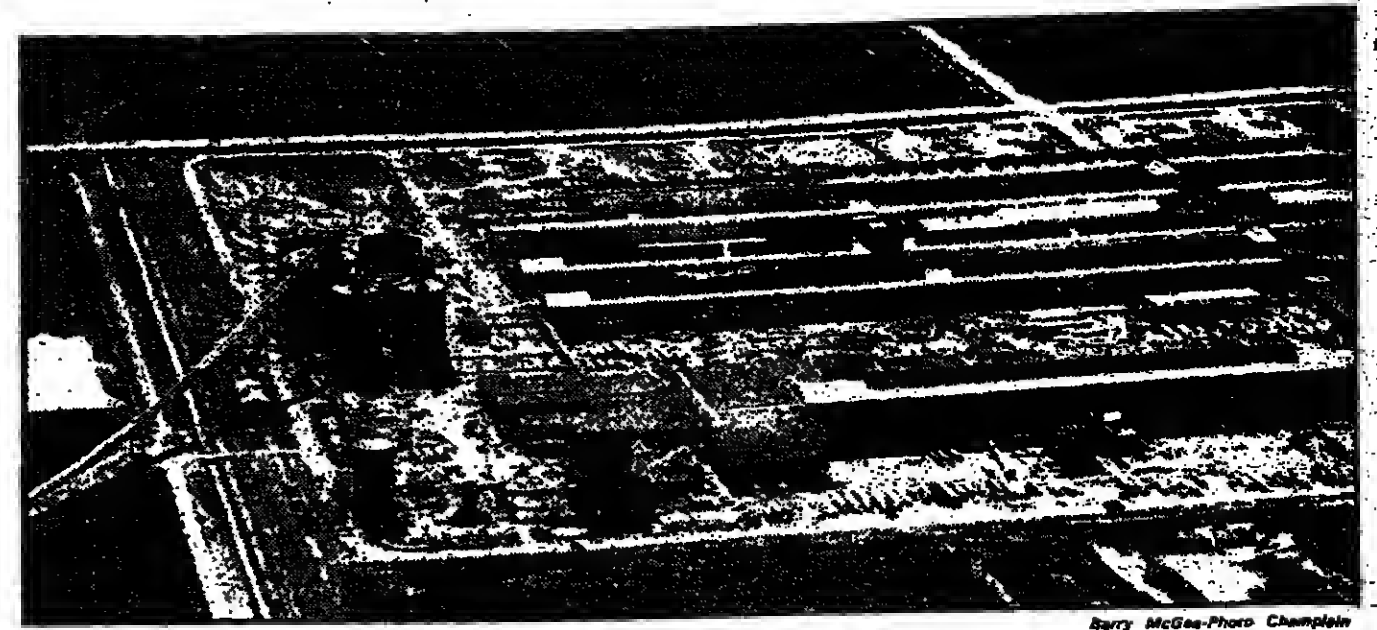
Canada has well over 1m tonnes of primary aluminium capacity, nearly all in Quebec, and has drawn the Paris-based Pechiney group away from the U.S. to put its chips on a C\$1bn smelter near Montreal due to open next spring.

The other producers are Alcan Aluminium with total primary capacity of 820,000 tonnes in Quebec and a further 270,000 tonnes in Northern British Columbia, and Canadian Reynolds Metals, which recently completed two more potlines at Bale Comau, Quebec, bringing capacity to 275,000 tonnes.

Canada's ace card is cheap power, and Quebec equals Manitoba with the lowest rates in the country. The low power rates more than compensate for the distances involved hauling in bauxite and alumina and exporting ingot, since the domestic market consumes only a small fraction of ingot produced.

Cheap power brought Pechiney and Alcan into Quebec and late in 1983 this major construction project looked well timed. However, since then North American ingot prices dropped from a post-recession high of around U.S. 75 cents, a level at which Alcan and the other producers can show good profitability, to below U.S. 45 cents, before recovering slightly to the 46 to 48 cents now.

Demand in North America has not been the real problem, but the persistent high level of the U.S. dollar—aluminium ingot as a world commodity sells in U.S. dollars, as do the raw materials. Imports have reached about 20 per cent of the enormous U.S. market.



Pechiney's aluminium smelter plant near completion at Becancour, Quebec, some 85 miles north east of Montreal. The plant incorporates Pechiney's latest high productivity technology.

because of the high dollar, and have kept down North American prices to an extent that has made Aluminium Company of America, the leader, threaten to reduce its exposure in the primary end.

David Calver, president of Alcan Aluminium, believes the commitment to a lower U.S. dollar is serious and for the long term. Though the corner has not been turned yet, a better balance is emerging between North American and overseas prices with some easing in pressures on profitability—especially if U.S. producers follow through on promises to shut down nearly 100,000 tonnes more smelting capacity.

The industry has to live with demand growth of between 2 and 3 per cent yearly, compared with 4 to 5 per cent in the 1970s, and go on searching for a major product breakthrough on the lines of the aluminium can 15 years ago, he says.

It must also watch that plastics do not begin to take over a major part of the aluminium beverage can market, while striving to get aluminium

used in structural parts of cars as well as in radiators, perfecting lithium-aluminium alloys for aircraft in competition with composites, and developing other higher-technology uses for the metal.

Alcan itself is shifting its North American research effort away from process improvements to the product area, it has developed its own smelter techniques to improve productivity, and would have installed these of its later smelter north of Quebec City—but this C\$1bn project has been delayed indefinitely because of Alcan's 60-40 debt equity ratio and low level of profits.

Any improvement that may take place in the fourth quarter of 1985 cannot do much now to improve Alcan's full-year results. The company has made a U.S.\$66m charge to cover its most severe restructuring in North America since World War II. Management has been severely pruned and more than 1,000 people have left, either through early retirements or layoffs with compensation. In 1985, the company expects to

show cost savings of about U.S.\$40m.

The European subsidiaries have already been through the wringer, while Alcan has moved out of Mexico and Columbia and is looking for further disposals. Ideally it would reduce its commitments in alumina, where, because of industry over-expansion in the 1970s and early 1980s, plants are working at between 50 and 60 per cent of capacity and in some cases cannot cover their debt.

Alcan's strategy is to hold back primary expansion, use its low-cost smelter base in Canada to the best advantage, maintain its most stable foreign operations, make its raw materials base more profitable, search out new product areas, develop its expanded fabricating base in the U.S., and integrate forward where possible into high-technology areas where aluminium is a key metal.

Both Alcan and Reynolds have sizeable fabricating operations in Canada, fed with domestically produced ingot, but most of Reynolds' production at Bale Comau goes to the parent company's U.S. fabricating plants.

The Reynolds smelter dates back to 1957, when the first two potlines were built by a subsidiary of Tube Investments of

Britain. Reynolds later bought the smelter, and has modernised and expanded it.

The most recent project has cost C\$500m. The company signed a long-term power deal with Hydro-Quebec giving it very favourable rates, it met as low as Alcan's. In all Alcan owns more than 2,000 megawatts of generating capacity in Canada.

Pechiney got the same power deal from Hydro-Quebec and located its smelter on the south shore of the St Lawrence near Montreal. It will be 25 per cent owned by the Quebec Government, as additional assurance, and each of the partners is responsible for its share of production.

The plant will have the advantage of Pechiney's latest high-productivity technology, excellent water and rail connections, and a relatively stable labour pool. Lower interest rates have helped to keep capital costs near C\$1bn. Capacity will be 230,000 tonnes.

Most of the production will go to the international partners' fabricating operations in the U.S. and the external value of the U.S. dollar and North American ingot prices will be almost as important as for Alcan.

Big three step up their fabrication

U.S.

TERRY DODSWORTH

U.S. ALUMINIUM manufacturers came out of the recession more or less on cue a couple of years ago, giving the strong impression that they were heading towards a typical cyclical recovery after the economic problems of 1981-82.

But much to the chagrin of the forecasters, the recovery stalled almost as soon as it had begun. Profits of the big three producers—Alcoa, Reynolds and Kaiser—amounted to only \$339m last year, about one-third of the 1980 figure at the peak of the last recovery, and since then industry has spiralled down into another mini-recession.

The problems were underlined recently in the third-quarter figures from Aluminium Company of America (Alcoa), the largest producer of the metal in the U.S.

Alcoa's year-on-year earnings were down slightly for the three months, but over the first nine months of the year dropped to \$104m from \$271m. Shipments in the quarter fell to 432,000 tons from 459,000 tons, and Mr Charles F. Perry, Alcoa's chairman, complained of "continued price weakness in both aluminium ingot and fabrication."

Perhaps the most evident short-term difficulty for the U.S. producers is the competitive advantage given to foreign manufacturers by the increase in the value of the dollar, which even after its recent decline stands at about 50 per cent more than its trade-weighted average five years ago.

The U.S. has always imported a significant amount of aluminium ingot, a product in which Canada has a natural advantage because of its cheap hydro-electric power. But with the dollar at present levels, importers from all over the world have found new markets in the U.S. for milled products as well.

This year, the flood of imports has been contained to some extent, as shipments of foreign milled products have fallen by almost 9 per cent over the first seven months. This trend has offered only small relief to American producers who saw imports soar by 76 per cent in 1984, hitting 1bn lbs and taking about 21 per cent of the market—up from 9 per cent five years ago.

The difficulties caused by the dollar have been compounded by structural changes in the world industry which seemed to creep up on the U.S. manufacturers before they noticed them. New markets have failed to open up at the rate they were doing a few years ago, and supply has consequently expanded too fast.

For the more marginal U.S. manufacturing operations, particularly in smelting where the industry has a sharp decline in total U.S. domestic consumption, including imported milled products, from 8.5bn lbs in 1984 to 8.0bn lbs. Total domestic industry shipments, including exports, fell to 8.8bn lbs from 9.1bn lbs in 1984, bringing about a drop in production through to the end of August of around 16 per cent on the year.

Inevitably, one area where the imbalance between supply and demand has shown up is in pricing. Against a price of around 70 cents per pound back at the beginning of 1984, aluminium has been selling recently at closer to 50 cents per pound—less than it costs some U.S. producers to make it.

Paine Webber, the New York securities house, has estimated that ingot prices could vary widely over the next five years, but it believes that there will be little price relief before next year, and that average prices over the period could come out at a little under 60 cents per pound.

Under the impact of this flood of problems, the U.S. industry has begun a wave of reorganisation. Two of the smaller producers, Atlantic Richfield and Martin Marietta, dropped out of the aluminium business last year, and it is expected that several others will follow, leaving the ground more open to the three big players.

It is likely that the U.S. manufacturers will also push more heavily to exploit some of their strengths in advanced fabrication products by closing down more of their smelting capacity.

This is not, of course, a sure guarantee of success, since the higher margin products are being eyed by most ambitious companies, while, in the meantime, some traditional markets, such as the aluminium beverage can, are coming under increased attack from plastics.

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ALUMINIUM 3

Profits rising but mood stays cautious

U.K.

ANDREW FISHER

AFTER THE traumas of the early 1980s, the UK aluminium industry is now firmly on its feet again and battling hard in the tough markets of Europe. Output has risen and profitability has improved.

The fight is a tough one because demand is only edging slowly forwards rather than shooting ahead, while prices for UK aluminium products have fallen as a result of sterling's rise in value this year.

At British Alcan Aluminium, the mood is cautious, but not despairing. Higher operating costs and lower selling prices on some products have put a brake on the recovery from previous heavy losses and first half profits of the Canadian-owned company were 15 per cent lower at £23m before tax.

When announcing the results in July, British Alcan said it did not foresee much of an improvement in the second six months. The company, formed when Alcan Aluminium (UK) took over British Aluminium three years ago, more than doubled profits in the whole of 1984 to nearly £50m.

But the cost of putting itself into fighting shape was high. Capacity was sharply reduced and the number of jobs fell by around 3,500 to 10,000. The measure of the problem was shown by the fact that the two companies which merged into British Alcan had made combined losses of some £30m in 1981 and 1982.

Like the rest of the industry, British Alcan is still striving to improve its productivity, enhance quality and keep its energy costs at bay in an industry which is highly energy-intensive. Last year, the company spent around £8m, a figure likely to double this year and rise by another 50 per cent or so in 1986.

At Alcoa, which nearly closed its South Wales sheet mill in 1980 after heavy losses, investment of up to £5m a year is taking place on what Mr Alan Aylesbury, UK managing director of the U.S.-owned company, calls "quality-driven improvements."

With only slow growth in the overall market and a trend towards use of lighter weight materials, the aluminium packaging industry is not actually rising. It supplies sheet for beverage cans and pull-rings and capacity is around 50,000 tonnes a year.

Alcoa sells about 35 per cent of its sheet output to UK customers and the rest on the Continent. It claims a share of 60 per cent at home and more than 50 per cent in Europe as a whole, its competitors being Pechiney of France, and the VAW plant, owned jointly with Alcan in West Germany. There are no direct UK-based rivals.

3 per cent growth

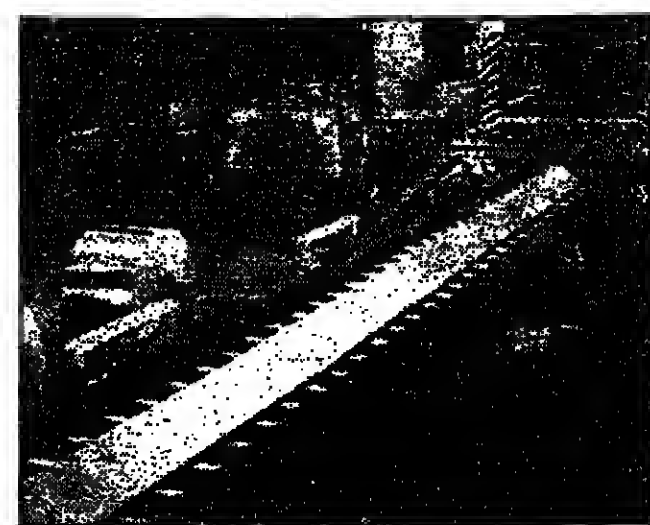
Mr Aylesbury reckoned that growth in the UK market would be around 3 per cent a year. Alcoa has encouraged the packaging industry to use lighter weight cans, even though this means the use of less metal.

"The UK is way behind the U.S. in light-weighting developments," he said. But he felt it was up to the customer to drive the process on, with a strong competitive impulse coming from the producers of other packaging materials.

Since streamlining its product line, Alcoa, which has cut some 700 jobs at its sheet mill (now employing 700 people) and extrusion mill (150), both in Swansea, has moved back into profit, though achieving "nothing exciting" as yet, commented Mr Aylesbury.

A few years ago, Alcoa made a big effort to promote a joint programme of recycling and boosting the use of aluminium for the whole drink can rather than just the ends. But the costly campaign came unstuck.

Last year, around half of the UK's 4m beer and soft drinks cans were made of aluminium compared with just over a tenth five years ago. But the UK has a long way to go to catch up with the U.S., where most cans



Inside Alcoa's rolling mill at Swansea. It is Alcoa's largest European operation and exports over 50 per cent of its product for easy open can ends

UK Performance

	(tonnes)	1984	1983	1982
Primary aluminium:				
Production		292,375	282,525	240,806
Imports		166,144	157,821	149,300
Shipments (incl. exports)		458,519	440,346	389,246
Scrap:				
Shipments		143,097	128,052	115,779
Shipments of wrought and cast products:				
Plate, sheet, strip, circles		181,161	174,870	172,662
Bars, sections		133,891	134,970	121,960
Tubes		10,449	12,420	14,443
Wire		31,765	31,001	34,100
Forgings		1,451	1,723	1,907
Castings		77,458	77,008	78,307

Source: Aluminium Federation

are made of aluminium, which is a recyclable material.

Alcoa tried to persuade others in the industry to join its Cash-a-Can scheme for used aluminium cans. Similar schemes operate on the Continent. Early last year, however, it withdrew the scheme and stopped making can body sheet in South Wales. The industry still has a recycling programme, but Mr Aylesbury said it would need "a massive injection" of cash to provide the right impetus.

On the stockholding side, Amari, shares of which were floated on the London stock exchange just over a year ago, showed itself in confident mood, when announcing its first half results. These showed pre-tax profits of £3.7m (£3m), before taking account of a £1.5m profit on the sale of Century

Aluminium. Mr Jon Fither, the chairman, said the second half of the year had started well and that, encouraged by the success of the Canadian operations, Amari was now looking for opportunities in the U.S.

Significant changes

Over the past decade or so, significant changes have taken place in the main uses for aluminium. In the early 1970s, it was the transport industry which took the largest share of semi-finished aluminium products for use in trucks and trailers. Next came the engineering, electrical, and foil industries.

Now, engineering is in first place, with windows second as a result of the recent double-glazing boom, followed by non-foil packaging.

Concern over export prices

Australia

MICHAEL THOMPSON-NOEL

TO THE outside world, Australia is putting on a brave face at present. Growth is strong, employment growing, the stock market in an ebullient frame of mind and the unions co-operating manfully with Mr Bob Hawke's Labor Government, whose wages policy has dampened industrial unrest and helped sponsor a surge in profits.

However, pockets of gloominess remain, particularly in metals and mining, as typified by the Australian aluminium business, which is now fully integrated into the world aluminium scene.

Things used to be simpler. In 1979, Australia produced almost 270,000 tonnes of aluminium of which it consumed 215,000 tonnes. Without any difficulty it was able to export the balance at acceptable prices.

In 1984, however, Australian production had reached 756,700 tonnes. Although local consumption had risen to 258,500 tonnes, it was necessary to find export markets for more than 477,300 tonnes at prices that were far from acceptable.

In 1980, the Department of Trade in Canberra was predicting that by 1985, Australia could become the world's largest exporter of primary aluminium, with exports totalling 1m tonnes a year out of total production of between 1.2m and 1.3m tonnes.

Things have not worked out so grandly. This year, says Mr Charles Knepp, director of the Australian Aluminium Development Council, total Australian production is likely to be around 780,000 tonnes, and whereas domestic sales are still quite strong, thanks to a buoyant economy, the continuing depressed state of international prices is little cause for cheer.

On the other hand, Australia's 1985 output could be as high as 850,000 tonnes, with exports close to 580,000 tonnes.

In the latest June half, Comalco's Bell Bay smelter in Tasmania was operating at a little over its design capacity of 171,000 tonnes. Alcoa of Australia's 185,000-tonne-a-year smelter at Port Henry in Victoria was going flat out and Alcan Australia's Kurri Kurri smelter in New South Wales was commissioning a third new potline that will boost capacity to around 150,000 tonnes.



Supplies of ingots awaiting export at the Tomago Aluminium smelter

In addition, two "second generation" smelters are now fully commissioned: the Boyne Island smelter in Queensland, by Comalco and others (206,000 tonnes), and the Tomago smelter in NSW (Pechiney, CSR and others, 230,000 tonnes).

In Victoria, Alcoa's on-again, off-again Portland smelter is on again, with the participation of the State Government. In Western Australia, however, plans for a 220,000-tonne, A\$1.3bn (£850m) smelter at Bunbury, formerly heralded as signalling a "major new direction" for Western Australia's development, now seem to have been postponed.

Australia remains a low-cost aluminium producer. It has vast reserves of bauxite, and relatively though not excessively low energy prices (it has plenty of cheap coal). But the depressed state of world aluminium prices has hardly helped profits, although experiences vary.

Alcoa of Australia saw a net profit for the June half of A\$27.1m against A\$24.8m previously, and cited the effect of a weaker Australian dollar on sales. Alcan Australia saw a 32 per cent fall in first-half net profit, to A\$6.9m, while Comalco actually saw a swing from a A\$25.2m net profit in the first-half last year to a loss of A\$16.7m in the same half this year.

First-half capital expenditure at Alcoa was A\$57.7m, including A\$36.4m as its share of

spending at Portland (excluding capitalised interest), while total interest on borrowings was A\$63.5m, against A\$51.9m previously, reflecting a stronger debt.

Alcoa's directors said that continued oversupply of both alumina and aluminium would have an adverse effect on profits in the near-term, and that profitability continued to depend on the company's ability to cut costs.

Comalco, in turn, is the only majority Australian-owned aluminium company. It is 67 per cent owned by CRA, the big Australian mining house, whose other interests include copper, iron ore, lead, zinc, diamonds (the Argyle project in WA), coal, gold, etc. In 1984, group net earnings sagged from A\$71.6m to A\$29.5m.

Comalco is fully internationalised, which is why it is suffering at present. It has consortium interests in an alumina refinery in Sardinia, and in the aluminium smelter at Tiwai Point, NZ, plus a smelter and rolling facilities in the U.S. It also has interests in aluminium fabrication companies in Japan, Hong Kong, Indonesia, Malaysia, the Philippines, and New Zealand.

Comalco says it has no regrets about broadening its downstream processing and marketing base. On the other hand it is constantly having to review its aluminium production, saying that last April's

electricity price increase at Tiwai Point, which will add about NZ\$20m to annual running costs, was "cause for serious concern." (Mr David Lange, the New Zealand Prime Minister, says that formerly Comalco was getting electricity at "widow's prices.")

According to the Comalco chairman, Mr John Ralph, speaking in April: "The current dramatic decline in the value of the Australian dollar... has signalled that there is spreading international concern at Australia's economic performance."

"Like most other export-based enterprises (in Australia), Comalco is finding it increasingly difficult to remain competitive in the current domestic environment. Rates of return on investment continue to be inadequate, dampened by excessively high labour and capital costs, and state and federal government imbalances of aluminium is a rather hazy one in the minds of the public and many businessmen, the industry is embarking on a programme to sharpen its profile."

"In particular, the extent of current government expenditure has led to growing tax burdens on the productive sector as well as an unsustainable level of borrowing." This is a familiar complaint. Unfortunately, familiarity does not lessen its relevance, at least in the aluminium trade.

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Struggling to break even

Brazil

ANDREW WHITLEY

THE OFFICIAL inauguration last week of Brazil's newest aluminium refinery, Alumar, which is a joint venture between a Japanese consortium and the government-controlled Companhia Vale do Rio Doce (CVRD), was not the happy occasion it should have been for this once-booming industry.

At a time when the aluminium price on the London Metal Exchange is dipping perilously close to the U.S.\$900 a ton (below the operating costs of even the most modern and efficient Brazilian plants) the last thing the established producer needs is higher installed capacity in the country and another competitor.

Newly established facilities such as the integrated Alumar complex at Sao Luis, on the northern coast, and the Valesul refinery near Rio de Janeiro, are struggling hard to break even on a current cost basis, leaving aside their heavy capital investments.

Energy costs, after a few years in which they declined in U.S. dollar terms to an average of around 13 mills, are expected to rise significantly in the near future, and the domestic market for aluminium, once regarded as perhaps the best reason to invest in Brazil, remains well below its 1980 peak.

The chequered story of Alumar and its associated alumina smelter Alunorte reflects the changing fortunes of the Brazilian aluminium industry.

Conceived in the early 1970s as the plant's largest integrated works, producing 1.3m tonnes of alumina and 640,000 tonnes of primary aluminium, its strategic advantage is its location in the mouth of the Amazon River not far from major deposits of bauxite and cheap energy from the new Tucuruí hydro-electric plant.

The Alunorte alumina was intended to be fed integrally into the refining operation, whose output—for domestic consumption or export—would reflect the 51:49 ownership split between CVRD and the Nippon Aluminium Company, a consortium of 31 companies concerned.

Full production for the first stage—320,000 tonnes of alumina—was scheduled for both units for 1986. This schedule has now gone haywire because of the worldwide recession in the industry and Brazil's own acute cash shortages.

President Jose Sarney last week inaugurated a refinery which has in operation only its first potline, capable of producing 80,000 tonnes a year, and few with alumina imported from neighbouring Surinam. Work has been almost halted at the adjacent Alunorte plant for two years and is unlikely to resume again before 1987, at

the earliest.

Its power supply from Tucuruí, a big power station on the Tocantins river, is also well behind schedule because of delays in installing high-tension transmission lines. Even the scaled-down target for Alumar of 180,000 tonnes by next year is unlikely to be reached because of this unexpected limitation.

As for the Japanese, their initial enthusiasm for the whole project is believed to have cooled considerably. Capital costs on completion have been revised upwards to near U.S.\$2.5bn. And the operating costs of aluminium production on virgin sites in under-developed regions are likely to prove much higher than was earlier estimated—judging by Alumar's experience with its nearby Alumar plant.

Alumar, a custom-made, Alcoa-designed plant in which Biliton, the Shell minerals subsidiary, had a minority holding, is in trouble only a year after its own grand opening.

The root of the problem is, not surprisingly, the low world prices. With it standing at nearly U.S.\$200 a tonne below production costs and the company trying to meet high debt obligations at the same time, results in a circle that cannot be squared, as Mr Alain Belda, Alcoa do Brasil's president, has painfully discovered.

According to western bankers, Alumar is currently engaged in rescheduling its debt principal payments and has had difficulty even in meeting its interest payments. "They must be bleeding to death," said Mr Ian Ruger, of Alcan's Brazilian subsidiary.

Alcoa admits it was over-optimistic about the prospects of a Brazilian domestic market, originally expected to be the main market for Alumar. But in this they are not alone. During the 1970s, when recession was a bad word in Brazil,

aluminium consumption was growing by about 15 per cent a year.

All the potential seemed to be there, a population which has now reached 134m with a tiny per capita consumption of aluminium, fast industrial growth, abundant raw materials and relatively cheap energy.

New plant was installed as fast as the finance could be found. Capacity jumped from 205,000 tonnes in 1978 to this year's 554,000 tonnes. On original projections the curve would have climbed to nearly 1m tonnes by the end of the

decade, making Brazil one of the few top producers in the world.

The severe Brazilian recession of the early 1980s which, in aluminium, extended into last year, transformed this outlook. Domestic producers had to be reorientated to the export market and much planned expansion was shelved or dropped.

One side effect of the export drive is that it has changed the economics of previously costly aluminium refineries such as Valesul (an AVRVD-Biliton joint venture), in relation to bigger, integrated plants such as Alumar.

Brazilian Exports

(\$m)	1980	1981	1982	1983	1984
Bauxite	65.2	114.5	87.5	114.6	125.3
Alumina	10.1	8.9	5.5	19.5	19.5
Primary aluminium	40.2	67.4	57.0	264.8	323.7
Total	115.5	190.8	150.0	398.9	568.5

Source: Consider, Ministry of Industry and Commerce.

Influence over prices strengthens

London Metal Exchange

STEFAN WAGSTYL

ALUMINIUM producers are further away than ever from re-establishing the control they once enjoyed over world aluminium prices. The past year has seen an increase in the powerful influence of the futures market on the price discussions between the aluminium companies and their customers.

As the producers feared when the London Metal Exchange launched its aluminium contract in 1978 the effect has been to make prices more volatile and more dependent on market sentiment not just in the aluminium industry but in all sectors of economic and financial life.

Publicly, the big producers, notably the North American companies, maintain their hostility to the LME price. But they acknowledge that the traditional system in which they sold at known fixed prices has probably gone for good. They have started using the futures markets themselves, often in a very small way, if only to keep in touch with sentiment.

More significantly, the major aluminium companies admit privately that the day could be fast approaching when they will use LME prices as the basis of their contracts with customers. Many newer producers do this already. A key deal was struck last year between the Japanese and Venezuela to change the basis of pricing at Venalum from the Alcan producer price to LME quotations. The Japanese had insisted that prices reflected the market more closely.

Intermediaries

Merchants, often acting as intermediaries between producers and fabricating companies, are increasingly using LME prices as the basis of their buying and selling, usually covering their positions by hedging on the LME.

At a conference arranged by the magazine Metal Bulletin earlier this month, Mr Sandy Rose-Macdonald, vice-president at trader Gerald Metals, said that in the merchants' area of the aluminium market the LME quotation was the pricing mechanism. This has not been true of the contracts between the major North American producers and their customers. But Mr Rose-Macdonald said that the LME quotation was "the major factor in setting the ground on which the discussion takes place."

An executive at one North American producer said: "It does exert a significant influence but we don't have contracts based on the LME."

Producers have acknowledged the effect of market influences by allowing customers to renegotiate an agreed future price if, near the day of delivery, it seems too high. These "transaction prices" published in trade journals on information drawn from consumers, broadly

follow LME prices, though they tend to move less sharply.

Producers agree that the LME quotation would be far less volatile if they used the exchange more actively themselves, but the major companies have no plans at the moment to increase their very low levels of hedging.

"It does not serve our interests, though that may change in the future, perhaps in the next year or two," said a senior executive at one producer.

He pointed out that falling aluminium prices over the past year had done nothing to attract the producers to the LME, since LME prices had led the market down.

Traders at the LME are confident that the exchange's aluminium contract will continue to grow in importance in the market. The volume of business done this year is sharply down on 1984—with 12.5m tonnes traded for the first nine months of 1985 against 30.6m for the whole of last year.

However, traders believe that this is largely the result of speculators outside the aluminium industry leaving the market alone during a period

World Primary Aluminium Industry Production

Country	1984	1984	Country	1984	1984
North America	5,285	5,510	Oceania	1,041	1,041
Canada	1,500	1,621	Australia	738	738
Mexico	40	41	New Zealand	243	243
United States	4,089	4,448	Europe	6,332	6,332
South America	856	211	Common Market	1,982	1,982
Argentina	134	1	France	342	342
Brazil	412	126	Germany West	780	780
Surinam	30	34	Greece	136	136
Venezuela	1,152	1,612	Italy	236	236
Asia	1,177	1,118	Netherlands	248	248
Bahrain	389	159	United Kingdom	286	286
China—Mainland	—	32	European Free	1,101	985
China—Taiwan	270	129	Trade Assoc.	96	96
India	180	—	Austria	32	32
Indonesia	46	49	Iceland	761	663
Iran	287	1,118	Norway	53	53
Japan	19	17	Sweden	79	87
North Korea	35	—	Switzerland	2,239	2,239
South Korea	150	—	Other	34	30
Turkey	411	278	Czechoslovakia	30	30
United Arab	89	47	Germany East	40	40
Emirates	166	—	Poland	48	102
Africa	—	157	Romania	244	187
Cameroon	165	75	Spain	331	391
Egypt	—	—	USSR	2,106	1,832
Ghana	—	—	Yugoslavia	302	347
South Africa	—	—		16,522	13,140

* Includes secondary.

Source: The Aluminium Association (converted from short tons).

The reason is the current cost advantage of importing alumina at \$125 a tonne through the government's export-related drawback scheme rather than producing it at home at about U.S.\$160 a tonne.

The evident advantages have shown up in Brazil's trade statistics. These reveal that aluminium imports jumped from 27,000 tonnes in 1982 to 203,000 tonnes the following year and 180,000 tonnes in 1984.

How to get away from their current excessive dependency on fragile export markets and back into the Brazilian mainstream is the key dilemma facing most of the aluminium companies in Brazil.

The single exception to this argument is CRA, heart of the giant Brazilian Votantum group, which is the lowest-cost producer in the country and kept to the home market throughout the recession.

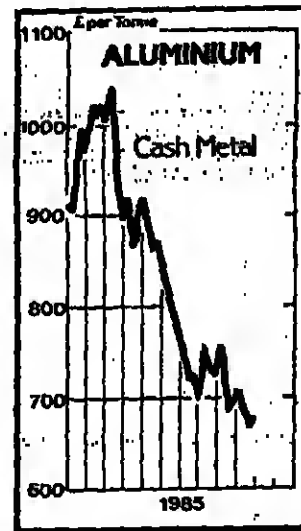
One hopeful new development is the expected arrival next year of the all-alumina can. Although Brazil is a vast mar-

ket for soft drinks and beer, the country's drinks producers relied until recently entirely on glass bottles. The real can, made by the aluminium makers as a poor product, has only a tiny market niche.

A comparison with the U.S. which has per capita consumption of 600 cans a year, is dramatic. Brazilians bought only four cans each last year.

The company which hopes to transform these figures is Reynolds, a minor player so far in the Brazilian aluminium market. With an estimated investment of \$55m, Reynolds plans to set up a car-making plant in Minas Gerais state next year with an annual capacity of 700m to 800m units—for a current market of 500m cans a year.

Alcan, for one, is delighted. It has just spent U.S.\$280m on a new hot-rolling mill for aluminium sheet, due on stream about a year hence. If it had not been for the car-making plant its output would have been destined for the uncertain export market.



of falling prices. Aluminium trade interest remains strong, they say.

The LME is well pleased with the success of its contract. Mr Michael Brown, the exchange's chief executive, said that the aluminium was well on the way to overtaking copper as the most actively traded metal.

The volatility of exchange rates has also encouraged trad-

ing companies, for example Shearson Lehman Brothers and Rudolf Wolk, to promote contracts priced in dollars alongside LME's sterling contract. These dollar contracts save customers the trouble of hedging their currency and their metal separately.

The success of these moves has encouraged traders to discuss the possibility of trading a dollar-priced contract across the floor of the Exchange itself. But the LME has yet to begin any formal studies of such a contract.

There is a quiet satisfaction in London that the sterling contract has performed so well, in contrast to the dollar contract traded in New York, on the Commodity Exchange (Comex) since December 1983. Many LME traders were at first afraid that the New York contract, priced in the currency in which most deals in the aluminium industry are struck, could not fail to displace the LME's.

This has not happened, largely because, say Comex officials, the launch of their contract coincided with the beginning of a long period of declining aluminium prices which has discouraged the speculators, whose activities bring much needed liquidity to the market.

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ALUMINIUM 5

Plastics pose new threat

UK Extruders

IAN RODGER

BRITAIN'S ALUMINIUM extruders are in the midst of a major market development campaign as they seek to recover from the adverse impact of the surge in the aluminium price in late 1983.

They are also trying to convince their customers that they have taken steps to insulate themselves from a further volatility in the metal price.

The 1983 price increases, which saw the aluminium ingot price rise from \$533 a tonne in June to more than \$1,100 a tonne the following January, sent customers running for cover or, to be more specific, in search of other materials and technologies for making their components.

The most damaging loss for the extruders was in the replacement window market. Until 1983, about 90 per cent of replacement window frames in the UK were made from aluminium extrusions, but today, plastic has raised its share to 30 per cent.

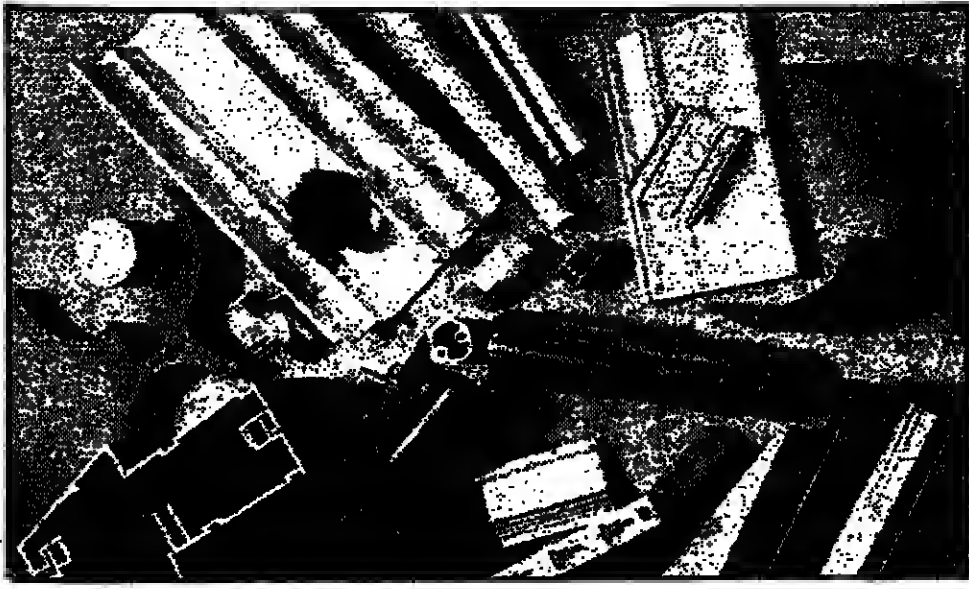
That was bad news for the extruders because the home improvement market, of which window frames are the most important part, accounted for about 30 per cent of their business.

The extruders realised that they had to take action if further erosion were to be prevented, and so they have been working on three fronts.

● They have been negotiating continuously with the primary aluminium producers with a view to having stable—and, as far as possible, low—prices for their metal. Mr Brian Turner, managing director of Indalex, a leading UK extruder, says that producers have reduced their costs and are now much more willing to negotiate prices than they were a couple of years ago. "We now feel we have the lowest cost base of the smelters helping us," he says.

Also, extruders have become much more enterprising in shopping for metal. Even though Indalex is part of the Rio Tinto Zinc group, which has a one-third interest in the Anglesey Aluminium primary smelter in Wales, the company imports about 70 per cent of its metal.

● They have been cutting costs and improving their processes, occasionally the two can be



A selection of extruded anodised components

accomplished at the same time. One of the most interesting developments is the emergence of secondary smelters that can upgrade scrap and primary metal to the best extrusion grade material.

This lowers the average metal cost to the extruder and it also provides the opportunity for reducing the number of grades he keeps in stock, thus reducing his working capital.

● They are making a major effort to develop new markets. The extruders are self-critical for having become satisfied with their established markets. They realised, in the wake of the 1983 shock, that they had to make a continuous effort to develop new markets, if only to replace those that would be lost from time to time in the constant competition with other materials.

Some have developed totally new products. British Alcan Aluminium, for example, has introduced an extruded aluminium radiator in the past year, and it has begun to make a slight dent in the stranglehold of steel in this market.

Mr John Bridgeman, managing director of British Alcan's commercial extrusions division, said the Alurad radiators were now selling at the rate of 700 per month and would be over 2,000 a month by 1987.

The group also has licences in France, West Germany, Italy and Canada for a radiator that takes up significantly less space than a steel one to transmit the same amount of heat.

British Alcan has also developed a computer-aided design service to help engineers design their parts quickly and work out the stresses involved so that the minimum necessary material will be used in the part. The system can also prepare machine tool programmes for cutting dies, thus reducing the time between design and production.

Mr Bridgeman says that the company has had to add three new terminals to its original two in the past year and all are now working two shifts a day.

The UK extruders are also making a major promotion effort. They got together early last year and agreed to put up a "six figure sum" to finance a campaign, and managed to convince 10 primary producers to contribute.

The message of the campaign is simple. Extrusion is all about making shapes, and there is no limit to the shapes into which a billet of aluminium can be squeezed through a die. So the campaign, called the Shape makers, attempts to make designers and engineers aware of the potential of aluminium extrusions, mainly by way of example.

Quarterly newsletters point out the innovative ways in which extrusions are being used, particularly in engineering where the ability to make complex shapes often means that one shaped part can replace a fabrication of two or

more parts, thus saving on material and assembly costs. They show tiny extrusions used in electronic equipment assemblies, masts for huge sailboats, cases for thermometers, frames for modular wall partitions and many other applications.

"Our promotion effort reflects our belief that our product is undervalued," Mr Richard Cowdell, managing director of CFCO (Engineering), says.

The Shapemakers campaign also has an information telephone number and inquiries are transmitted to all 20 participants for follow up. In the year since the campaign began, more than 2,500 inquiries have been received, leading to considerable new business for many of the extruders.

So far, no detailed study of the effectiveness of the campaign has been carried out, but extruders are convinced it has been helpful. Certainly, the production figures would suggest that this is the case. Despite the sharp decline in the home improvement market, the overall tonnage of aluminium used in extrusions has dropped only slightly from 170,000 tonnes in 1983 to about 165,000 tonnes last year.

Extruders also point out that they face an annual erosion of about 5 per cent in their tonnage because of reductions made by customers in the thickness of their extrusions.

"We are in the sown stage," Mr Cowdell says. "Some of the seeds we are sowing will not be reaped for five years."

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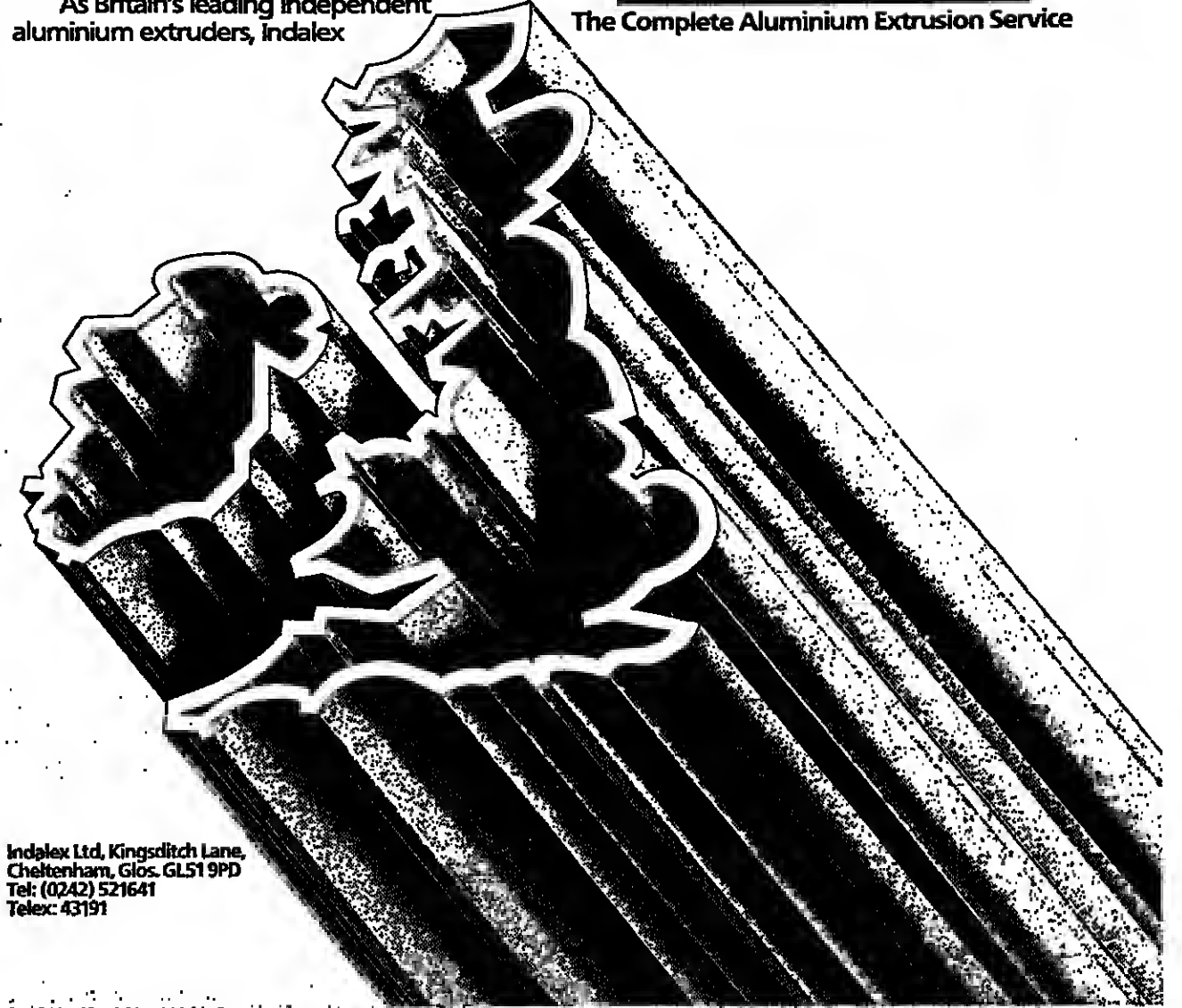
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PROFILE: ALUSUISSE

BY WILLIAM DULLFORCE

Diversification plan brings change in role

THE GRITTING of teeth is almost audible in Alusuisse's trim and austere aluminium headquarters by the lake-side in Zurich, where determination is the order of the day for management.

The determination aims at adapting the European aluminium producer remaining wholly under private control to a market, which has proved to be increasingly volatile and insecure. It also means persevering in the face of financial constraints with a diversification strategy that has already fallen behind schedule.

Teeth were gritted harder in August when the first-half figures showed that last year's profit recovery had been premature and that 1985 net earnings would be lower than forecast.

Hard-pressed management drew consolation from the belief that the restructuring programme of the last three years has left a fitter Alusuisse, whose vital parts are not likely to be damaged by this year's setback. There is no intention of changing present strategy.

Important changes have occurred in the last decade. The first was the announcement in 1975 of a diversification campaign to reduce the share of aluminium to only half consolidated sales by Alusuisse's centenary in 1988.

The second, more recent change has stemmed from the recognition that Alusuisse can no longer sustain its proud image of being a fully integrated producer, generating its own requirements of primary aluminium.

It was decided that the future Alusuisse would buy part of the primary aluminium it needs on

the market. No target has been fixed but there has been talk of taking roughly a quarter from outside suppliers.

The assessment behind this appraisal is that aluminium prices will not return to former high levels and that with the coming on stream of large new smelters in Brazil, Venezuela and the Middle East there will always be enough output to provide Alusuisse with its marginal supplies at a reasonable price.

Capacity has already been trimmed under the restructuring programme started in 1982. The nominal capacity of the group's smelters was at 577,000 tonnes a year in the 1984 annual report, leaving Alusuisse in sixth place in the world league.

The latest official figure is 510,000 tonnes and that includes the smelter at New Johnsonville, Tennessee, which has been operating at only 15 per cent of capacity and may be expected to close next year.

Alusuisse still has greater capacity in the U.S. some 240,000 tonnes, than anywhere else but it is heavily concentrated in Europe, where its West German smelters can produce 197,000 tonnes a year and it has substantial capacity in Iceland, Switzerland and Norway and smaller plants in Italy and Austria.

Looking to the 1990s and beyond, the management foresees the need for new, cheaper smelter capacity, but it is almost certain that this will be built in partnership with other producers.

The project in Zaire, in which Alusuisse was the consortium leader, has fallen apart, following delays on the government side in putting in port facilities, roads and power

lines. Zaire cancelled the contract at the end of June.

The Quebec Government has asked Alusuisse to take part in evaluating a project for a new smelter of around 200,000-tonne capacity at a site on the St Lawrence river and at present the management would appear to favour new production in Canada.

After the settlement of a dispute with the Icelandic Government, plans have been revived for an expansion of capacity at the Isal plant outside Reykjavik, but Alusuisse would want a new partner to be brought in, to take the extra output, if that project should go ahead.

The diversification strategy pursued by Alusuisse over the past 12 years helped the group to triple sales but not every takeover proved to be successful and acquisitions resulted in a leap in debt.

The management can claim, however, that the Lonza chemicals company and the Maremont automotive parts business in the U.S. supplied important contributions to cash flow in 1981-83, when aluminium was sustaining losses, and the board remains convinced that diversification is in principle the correct course.

Last year aluminium still accounted for 65 per cent of consolidated sales with chemicals providing 12 per cent, Maremont 14 per cent and the remaining 3 per cent coming from the small engineering division.

Alusuisse's present financial situation would not allow it to put up the cash to buy another Lonza, so that the target of expanding the chemicals side to about 30 per cent of group turnover is not likely to be reached quickly.

The consolidated long-term debt was SwFr 3.37bn (\$1.57bn) at the end of 1984 against shareholders' equity of SwFr 2.64bn but the debt has been stabilised for the past two years. A substantial reduction in dollar borrowing was effected in 1981 and 1982, when loans were switched into other currencies.

Analysts were critical when Alusuisse in 1982 took the unusual course by conservative Swiss standards of writing up

1984 Performance

1984 figures	
Consolidated sales	SwFr bn 8.84
of which:	
Aluminium	5.42
Chemicals	1.53
Maremont	1.15
Engineering	0.24
Shareholders' equity	2.64
Long-term debt	3.37
Short-term debt	1.00
Cash and equivalent	0.54
Inventories	2.07
Current assets	4.14
Cash flow	587
Net earnings	169

the value of its bauxite rights at Gove in Australia, to create a restricted reserve of SwFr 700m.

This has been used solely to cover the costs of restructuring the aluminium business and had SwFr 128m left at the end of last year. A further withdrawal from the reserve will be needed this year.

The restructuring programme, scheduled to take five years, has entailed the closing of inefficient and loss-making plants, the reduction of inventories at all stages and cuts in overheads, notably at head office. Employees declined in number from 45,000 in 1980 to 35,000 last year.

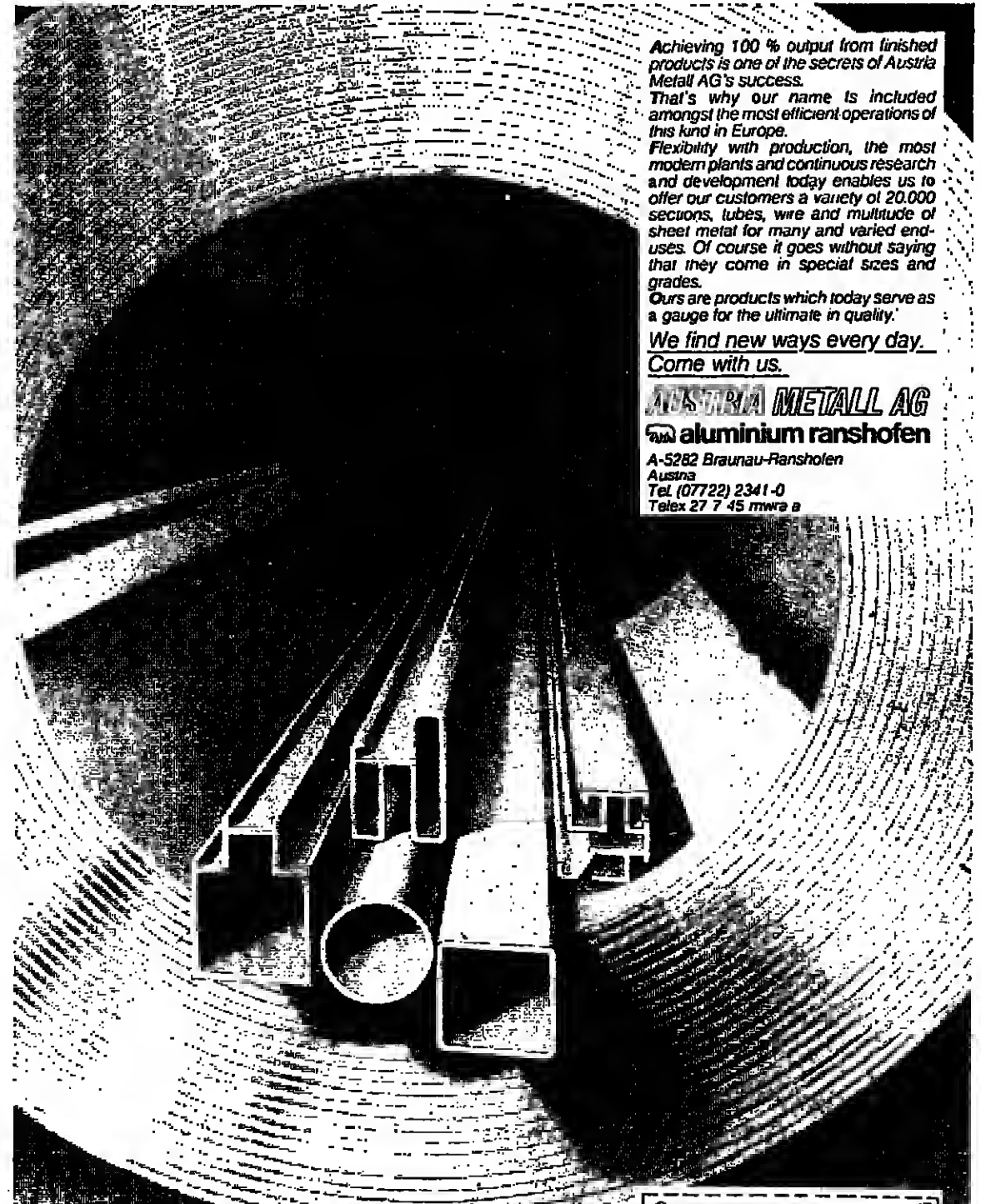
In a more offensive spirit the programme has led to a drive for new products and a better marketing approach, in line with the industry-wide recognition that profits are now to be found not in producing primary aluminium but in developing finished products and applications for consumers.

At the management level, research and development has been linked more tightly with marketing, a change symbolised by the appointment to the executive board of Dr Adnan Odok, the head of research, and giving him also responsibility for marketing.

One success registered at the product level was the supply of large extrusions for 700 new carriages for the Paris Metro. Alusuisse is now partnering two British groups bidding for a similar London underground contract and believes that in the transport field, including trucks, it has found an expanding market.

The switch to a marketing emphasis was symbolised, at least in the eyes of the Swiss media, when Mr Emanuel Meyer in 1982 resigned as chief executive after nearly 20 years and the post of chairman/chief executive was split, to allow Dr Bruno Sorato to become chief executive.

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ALUMINIUM 6

BY FAY GJESTER

Big retailers call the tune in the UK

Packaging
TONY JACKSON

PACKAGING, for the aluminium industry, is a vitally important and inherently perplexing market. As in the importance, the figures speak for themselves. Of the 240,000 tonnes of rolled aluminium used in the UK annually, around 66,000 tonnes, 28 per cent, are accounted for by cans or closures. Of the 55,000 tonne market for aluminium foil, packaging takes all but 7,000 tonnes.

The perplexing nature of the market has to do with the immense changes taking place in packaging itself. Packaging companies agree that the pace of substitution between various materials—metal, glass, plastic, board—is faster now than they have ever known. This, in turn, is above all the result of the revolution which has taken place in retailing in the past decade.

The concentration of power in the hands of a few big retail chains such as Tesco and Sainsbury has put immense pressure on suppliers. For food and drink manufacturers, the installation of packing lines is a major investment, and requests from retailers for innovative forms of packaging were formerly resisted as an unwarranted cost. Now, however, the big retailers have the kind of market share which enables them to call the tune.

It may not be a coincidence that 10 years ago beer and soft drink cans were almost all made of tinplate. Since then, aluminium cans have made steady inroads, and last year for the first time accounted for 50 per cent of the market.

Aluminium is a more expensive material than tinplate, even if it may save manufacturers something by causing less damage to tooling equipment. Retailers tend to prefer aluminium for its brightness and finish. There is, however, little evidence of their paying for the difference—a situation which

has become familiar throughout the packaging industry in recent years.

With aluminium and tinplate now neck and neck in the drinks can market, both sides are dug in for a long battle. The aluminium industry, though, has hopes of one big long-term advantage—the environmental issue, and the recycling that goes with it.

Recycling is not yet a major issue in this country, but it looks set to become one. In several European countries, there is pressure to limit the use of plastic in packaging. In West Germany, local authorities recently called on the Government to ban entirely the use of PE (polyethylene terephthalate), the fast-growing clear plastic used as a glass substitute for Coca Cola bottles.

For recycling purposes, aluminium has several advantages over tinplate. First, it is a pure rather than composite material. Second, it is inherently more valuable as scrap, being worth between £400 and £500 a tonne, or 1p per can. Third, all drinks cans have aluminium ends. Steelmakers are working on developing a steel-based can end, but seem several years away from commercial production.

The chief problem with recycling is that of gaining critical mass—of having enough of the material in circulation to make a collection system economic. Alcoa of Great Britain launched a scheme three years ago called "cash-a-can," but it floundered and was stopped.

Since, according to the Aluminium Federation, aluminium cans used in the UK last year totalled 1.9bn, it is at least possible that reclamation in this country could reach the 50 per cent level seen in the U.S., where aluminium has a 90 per cent share of the drink can market.

In another attempt to set up a collection system, reverse vending machines were installed on a trial basis in half-a-dozen Safeway stores in the Midlands this September. These machines, familiar to the U.S. shopper, give out in return for each aluminium can a 1p receipt which can be swapped for cash



A selection of aluminium foil pouches from various countries

at the checkout.

It is significant that a big retailer should be helping the plan out in this way. The environmental case against packaging is less developed in this country than in many parts of Europe, or in the U.S. But few in the packaging industry doubt that it will gather strength. When it does, the retailers will be an obvious target for pressure, and they are in a position to pass that pressure on to their suppliers.

With packaging overall, drink cans are still the aluminium industry's main source of growth. Even if aluminium's share of the market is not further extended, the market is still growing at around 2 per cent a year. Elsewhere in packaging, growth prospects are more uncertain.

Aluminium foil—defined by the manufacturers as being under 0.2 mm in thickness—is used in packaging mostly in the form of household wrapping foil, a market which has shown modest growth for some years. For foil used elsewhere in packaging, prospects are more mixed.

One use which seems certain to decline is milk bottle tops. In the milk market, glass bottles are essentially tied to the system of doorstep delivery by milkmen, and that system is losing ground to the supermarkets.

The cardboard carton has doubled its share of the milk market in the past six years, to nearly 18 per cent, and the plastic bottle has come from no-

where in three years to grab another 2 per cent. Foil is also used in food packaging, both for frozen food and what are called by the trade "ovenable trays"—that is, the heat-proof semi-rigid containers which can be put in the oven to warm up television dinners. The market for ovenable trays is likely to come under threat from PET—a remarkably versatile plastic, which besides its clear glass-like qualities also has enough heat resistance for use in ovens. In the frozen food market, demand for foil containers looks set to increase in the near future. But in the packaging market it is never safe to underestimate the plastics manufacturers.

Since the grim years of 1980-1982, when Europe's plastics makers made collective losses of several billion dollars, the plastics industry has looked to packaging as its main hope for near-term growth. This has meant a burst of innovation in new materials, and also combinations such as co-extruded plastics which offer improved barrier properties.

Across the whole range of packaging, this is the biggest long-term threat to traditional packaging materials—glass and tinplate as well as aluminium. The adaptability of plastics is seemingly endless; even in the apparently secure market for drinks cans, there is a warning note. In a number of states in the U.S., Coca Cola has just started test marketing of cans made—yet again—of PET.

PROFILE: ARDAL (ASV)

Reassessing the future

THE GLARE of media publicity which surrounded recent negotiations about a link-up between Norway's two largest aluminium producers—Ardal og Sunndal Verk (ASV), and Norsk Hydro—was one reason why the talks failed. This is the view of Mr Haakon Sandvold, ASV's president.

Sandvold says the bargaining which ended, last April, in at least temporary deadlock—should have been conducted behind closed doors. He will not comment on the chances that it may be resumed, but says ASV's management has spent the summer discussing various possible ways of achieving the group's main goal—securing markets for the primary aluminium which is its major product. "A reassessment of the future," is the way he describes it.

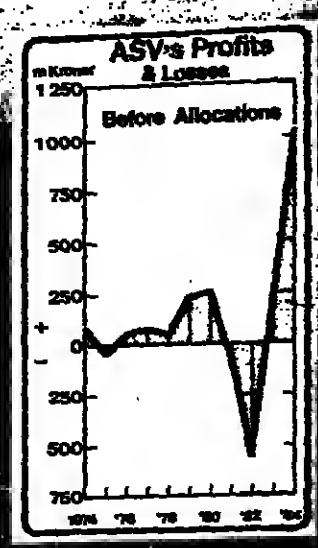
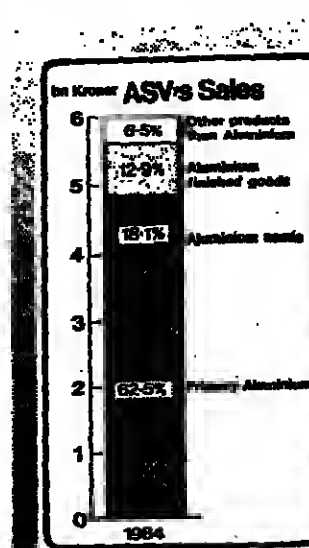
The state-owned ASV, Norway's largest aluminium producer, is vulnerable to the fluctuations of the world aluminium market because it is so big in primary aluminium, in relation to its other activities. Its downstream operations, in Scandinavia and the UK, still absorb only about 37 per cent of its metal output. The latter reached 368,000 tonnes in 1984.

Norsk Hydro, with output last year of 160,000 tonnes, is somewhat better placed—its own extrusion plants in Europe and the U.S. take about 45 per cent of the aluminium division's metal. Moreover, Hydro's light metals group has a second leg to stand on—magnesium.

Good profits from magnesium sales in the first half of this year more than offset weaker prices for aluminium, and the light metals segment lifted profits to Nkr 459m (\$57.8m) in the six months, compared with Nkr 405m in the same period of 1984.

ASV's eight-month report, in contrast, is expected to show profits down on last year. For 1985 as a whole, the concern is now forecasting a pre-tax result on around Nkr 400m—less than a third of the record 1984 figure (Nkr 1,020m), although still the second best result in its history. The pattern of widely fluctuating profits—losses, in some years—seems set to continue.

The advantages of belonging to a concern involved in highly diversified activities—fertilisers, chemicals and petroleum, as well as light metals—were cited by Norsk Hydro as a



reason for not having off its aluminium activities to create a new company owned 50/50 by itself and ASV—the solution favoured by the latter. Instead, it wanted to buy a 90 per cent stake in ASV and bring it under the Hydro corporate umbrella. Then, it pointed out, Hydro's other sectors could "carry" aluminium during the metal's almost inevitable bad years, now and then.

Although both concerns recognised the benefits of joining forces—and although the Government (which owns a controlling stake in Hydro) was urging them to reach agreement, the issue of ownership structure proved insuperable—at any rate for the time being.

Even if a Hydro-ASV merger had been achieved, the problem of finding secure outlets for enormous tonnages of metal would have remained. A partnership would perhaps have been in a stronger position to tackle it as it is, the two must find separate solutions. Now, for ASV, two main

options appear to be open. One is a co-operation deal with a major aluminium group within the EEC—main market for the concern's primary metal. This could raise political problems if, as is quite possible, the prospective partner should demand a stake in ASV in exchange for an agreement.

Much controversy surrounded the sale of a 50 per cent stake in the group to Alcan, in the 1980s. It was felt inappropriate that a multinational should benefit from investments funded by Norwegian taxpayers—not to mention Norway's cheap hydro power. The buy-back was completed—many claim at a loss to Norway—only six years ago.

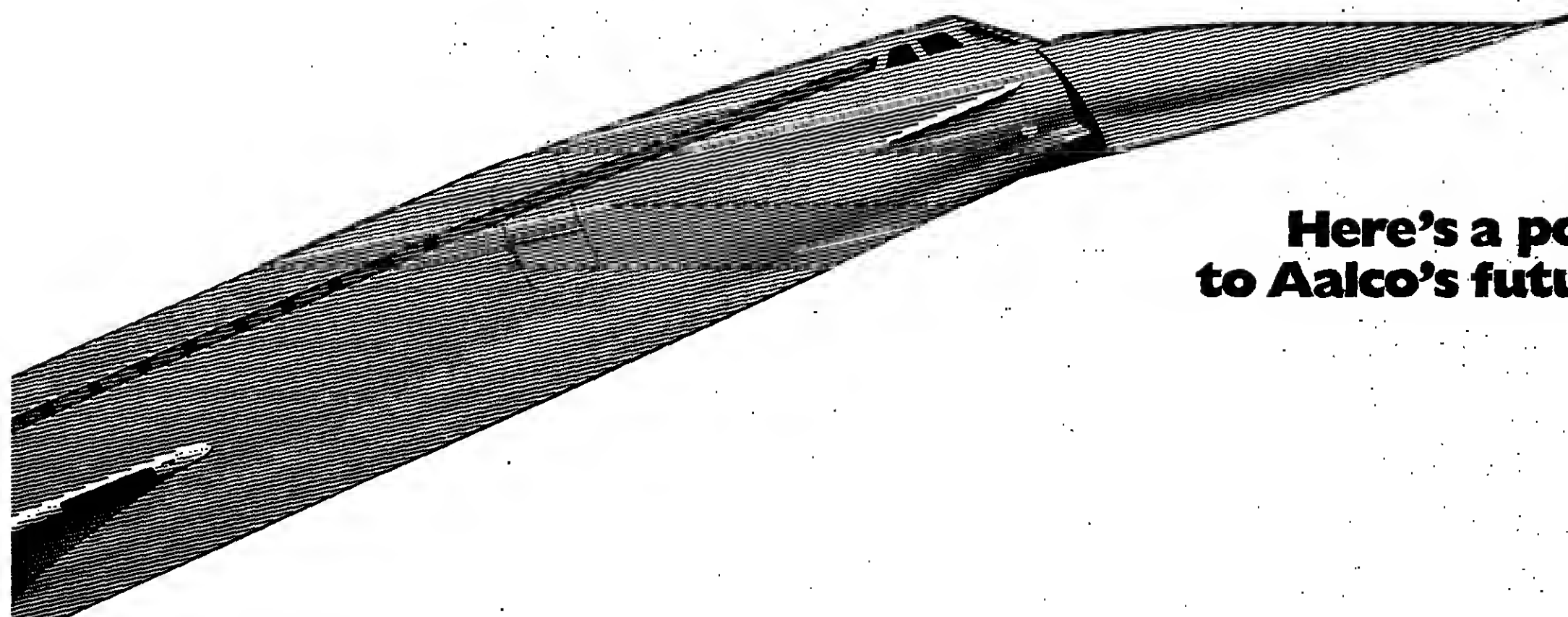
Another possibility would be to buy downstream facilities in potential markets. The cash is there; after last year's record profits, liquid reserves are described as "ample," although the group will not put a figure on them.

One such purchase was finalised in April this year, when ASV bought Century Aluminium, a leading UK pro-

ducer of aluminium profile. The company, with two manufacturing plants (in Scotland and England), a workforce of 330, and turnover last year of nearly £30m, makes 15,000 tonnes of profiles annually—a modest, but welcome additional market for ASV's primary metal.

While the concern's downstream activities take less than a third of its metal production, they accounted last year for almost 40 per cent of its total sales and employed around 3,000 of its 7,000 labour force, in Norway and abroad. Wholly owned offshoots in Norway, Sweden, Denmark and the UK make a wide range of semi-finished and finished products.

The latter include aluminium cargo containers, road signs, motor car wheels, cladding for buildings (including offshore platforms), kitchenware, foil, tubes and spray containers. In addition, ASV has stakes of from 45 per cent to 85 per cent in three Norwegian companies making, respectively, high-tension cables, aluminium profiles and high-speed catamaran passenger ferries.



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KKR lifts buyout offer for Beatrice to \$5.12bn

BY PAUL TAYLOR IN NEW YORK

KOHLBERG Kravis Roberts (KKR), the Wall Street investment firm, yesterday sweetened its cash-and-paper leveraged buyout bid for Beatrice Companies, the U.S. food and consumer products group, by \$2 a share to \$41 a share, or a total of \$5.12bn.

KKR had been widely expected to improve its original \$45-a-share or \$4.91bn offer for Beatrice, made two weeks ago after Beatrice's board unanimously rejected the bid, terming it "inadequate and not in the best interest of Beatrice shareholders."

Under the terms of the revised offer, the \$40-a-share cash element of the bid remains unchanged, but KKR has raised the value of preferred stock to be offered in con-

junction with the cash to \$7-a-share from \$5 a share for each of Beatrice's 100m outstanding shares.

In the immediate aftermath of the initial KKR bid, Wall Street speculated that the investment firm would be forced to raise the offer if it were to win Beatrice board approval - or head off a possible rival bid from elsewhere.

Beatrice's board, which is being advised by Salomon Brothers and Lazard Freres, was reportedly told before rejecting the initial KKR offer that it could expect the bid to be raised, perhaps to between \$48 and \$50 a share. That would be more in line with most estimates of the break-up value of the conglomerate, whose brand name products include Tropicana orange juice, Max Factor

cosmetics, Playtex underwear, Samsonite luggage, the Swift/Hunt-Wesson food business and Avis car hire.

Wall Street analysts have also noted that Beatrice's rejection of the initial KKR bid was couched in terms which appeared to invite a higher offer. If the bid were accepted, key Beatrice managers would be offered an equity stake in the new private company under the chairmanship of Mr Donald P. Kelly, the former chairman of Esmark, which was acquired by Beatrice last year.

Beatrice, disclosing the raised KKR bid yesterday, said its board would meet to consider the new offer but gave no details of the timing of such a meeting.

Xerox in loss after \$164m charges

By Paul Taylor in New York

XEROX, the U.S. office equipment group, yesterday posted a \$15m, or 28 cents a share, third-quarter loss after taking previously announced charges totalling \$164m related to the restructuring of its Crum and Forster insurance subsidiary.

The loss compares with net earnings of \$61m or 72 cents a share in 1984 and follows the announcement of measures to strengthen the insurance operations, including bolstering the reserves of one Crum and Forster unit and phasing out the financial guarantee operations of another.

Third-quarter revenues grew marginally to \$2.12bn from \$2bn a year earlier.

For the first nine months, Xerox's net earnings were \$310m or \$2.95 a share, up from \$313m or \$2.79, in the 1984 period on revenues which increased to \$6.21bn from \$6.02bn.

Mr David Kearns, chairman and chief executive said income from the group's reprographics and information systems business increased by 15 per cent in the third quarter to \$71m from \$62m.

He said there had been "good marketplace activity" in the quarter and that operating profit margins substantially improved as a result of a significant increase in sales of copier/duplicator equipment and productivity gains.

Crum and Forster produced \$7m in income from continuing operations in the third quarter - excluding a \$67m charge related to strengthening the reserves at the insurance subsidiary's L. W. Biegler unit - and \$35m in the nine-month period compared with \$4m and \$18m in the respective 1984 periods.

Setback for German banks' leasing unit

By John Davies in Frankfurt

DEUTSCHE Anlagens-Leasing (DAL), the West German leasing concern, is making further substantial risk provisions in a new setback for its bank owners.

Its 1984 accounts are not yet complete, but risk provisions are expected to reach about DM 300m (\$113.6m).

This comes on top of heavy write-offs and risk provisions in the previous two years, when DAL reported net losses totalling more than DM 1.4bn.

Until recently, it was thought that DAL had overcome its problems, which have had considerable repercussions on the five banks which own it.

The latest blow is attributed to a worsening in the likely value of some leasing assets, as well as problems in operations abroad.

DAL's shareholders are Westdeutsche Landesbank (WestLB) (30 per cent), Landesbank Rheinland-Pfalz (26.5 per cent), Bayerische and Hessische Landesbanken (16.7 per cent each) and Dresdner Bank (10 per cent).

The DAL crisis led to the abrupt departure of some of its top managers two years ago. Soon afterwards, DAL and other problems touched off the departure of two board members at WestLB.

The head of Landesbank Rheinland-Pfalz resigned last year after DAL became a local political issue. DAL's owners have been forced to step in to cover its losses, although their individual burdens are based not just on their share stake but also on the extent to which they have been involved in particular leasing assets, which have lost value.

Texas Instruments

TRE total workforce of Texas Instruments is 78,000, not 7,800, as reported on October 28 because of an error in transmission.

Dismay at D-Mark calendar

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

NEWS of a record DM 7.475bn calendar of new foreign bonds in November sent an already weak D-Mark bond market reeling yesterday, with traders saying the amount was far too much for the market to absorb at a profit.

The Bundesbank announced that 36 issues were planned, including 23 fixed-rate bonds for a total of DM 3.815bn, nine floating-rate notes for DM 3.55bn, as well as two zero-coupon issues, one dual-currency bond and one bond with warrants attached.

Fears abounded that such a large volume would inevitably include issues by weaker names as well as from regular borrowers with whom the market is already saturated, making the paper even harder to place.

Publication of the calendar also unleashed a wave of criticism against the Bundesbank, with claims that it has lost control over the market since the liberalisation measures introduced in the spring.

However, Prof Claus Kohler, a Bundesbank director responsible for the capital markets, said he was still happy with the notification system now in operation. Germany could afford to export capital because of its current-account payments surplus and there were no reasons of monetary policy to limit new issue activity, he said.

PRICES of Japanese government bonds rallied yesterday for the first time for seven sessions, but dealings remained volatile and restricted largely to securities houses, Our Financial Staff writes.

The benchmark 68th 10-year issue which carries a 6.5 per cent coupon, closed 93 basis points

higher at 101.89. At that level, it yielded 6.47 per cent, against the previous day's 6.53 per cent.

Selling pressure also eased in the new bond futures market, although the December contract continued 88 basis points lower to 95.75, where it yielded 6.71 per cent compared with 6.56 per cent.

It was up to the banks themselves to decide whether they had the placing power to launch so many issues. Theoretically there was no reason why the market should not absorb them, provided they were launched at proper market rates, he added.

But bankers believe such a large volume of new issues is bound to drive up yields on foreign bonds. Already yesterday the Inter-American Development Bank launched a DM 250m, seven-year issue bearing a coupon of 7 1/2 per cent at par through Deutsche Bank.

A new reference coupon of 7 per cent has also been set in the domestic market with the launch of a DM 800m issue for the federal railways.

In the secondary market, prices fell yesterday by about a full point with some recent issues now trading at heavy discounts of three or

tention continues to concentrate on floating-rate issues, with two more launched yesterday. EBC-Amro made its debut under its new name with a \$125m, seven-year issue for European American Bank, which bears interest at a margin of 1/4 over three-month Libor (London interbank offered rate).

Istituto Bancario San Paolo di Torino launched a \$100m seven-year issue through Morgan Stanley carrying interest at 1/4 per cent over the three-month Libor as mean of the bid and offered rate for inter-bank deposits.

A one fixed-rate issue came from Gibraltar Savings, the U.S. savings and loan institution. Nomura is leading the \$115m bond, which is collateralised with U.S. government paper and bears interest at 10 1/4 per cent over seven years with an issue price of 100 1/4.

Other new issues yesterday included a \$1 200m, 10-year issue for the European Investment Bank with a coupon of 7.25 per cent and open issue price through Amro and Algemene Bank Nederland, as well as a LuxFr 300m private placement for Astra Pharmaceuticals Products, guaranteed by its Swedish parent.

The five years and five months paper carries a coupon of 9.25 per cent and a 100% issue price with Banque Generale as lead manager.

Japanese robot maker shows 22% advance

BY YOKO SHIBATA IN TOKYO

FANUC, the Japanese maker of machine tool systems and industrial robots, lifted pre-tax profits by 22.7 per cent to ¥31.57bn (\$148.3m) in the half-year to September.

Reflecting rapid automation in the machine tool industry, Fume's mainstay products fared well. Net profits for the parent company were 21 per cent higher at ¥14.76bn, on turnover of ¥90.46bn, up 32.9 per cent.

On a per-share basis, net earnings were ¥95.77 compared with ¥71.65, reflecting the conversion of bond warrants.

Sales of its computerised machine-tool systems rose 28.5 per cent to account for 80.4 per cent of total turnover. Robot sales jumped 68.3 per cent, representing 11.6 per cent of the total - a rise attributable chiefly to vigorous orders from GM Fanuc Robotics, its joint venture with General Motors of the U.S.

Direct exports rose by 47.5 per cent to account for 31.1 per cent of all sales. Indirect exports, through Japanese machine tool makers, rose 18 per cent, taking the total to 40.7 per cent. The company increased its dividend by ¥1 to ¥7.50.

In the half-year to March 1986, Fume sees a slowdown in demand for its numerically controlled machine tool systems, as its customer manufacturers begin to suffer the negative impact of the yen's steep appreciation. However, robot sales to GM Fanuc Robotics are expected to grow.

Fume's capital outlay for the full year is intended to total ¥36bn, including a ¥25bn investment in a second robot factory. This is expected to increase the depreciation burden to ¥6bn for the full year. The company says it will maintain its pre-tax profit-to-sales ratio at 35 per cent.

Pirelli and IBM to make security systems

BY ALAN FRIEDMAN IN MILAN

PIRELLI and IBM are to launch a 50-50 joint-venture company in the security systems sector. The leading Italian tyre and cables group said yesterday the initial capital of the company, to be called Boselli Sistema, would be L8bn (\$4.5m).

"We intend to supply cable technology, making use of our fibre-optics expertise, and IBM will provide the data-processing side of the business," Pirelli said.

The two multinationals will assign 130 technical staff to the venture, which will aim initially at the Italian market and later at a broader European market.

The venture, between Pirelli's Italian operating subsidiary - Industrie Pirelli - and IBM Italia, will incorporate most of the activities of a Pirelli security systems division called Enrico Boselli. That business had turnover of about L10bn last year.

The idea is to take into the new company Enrico Boselli's security systems business and to develop research and installation of services such as fire detection, energy consumption control and office building management.

Pirelli said the venture would employ high-technology optonics systems that it had been developing. Pirelli has recently taken equity stakes in a number of U.S. and British fibre-optic cable companies involved in data transmission.

Those include share acquisitions in Lital and David Systems in the U.S. and Focom Systems in the UK. The overall Pirelli strategy is to expand its cables business - which last year accounted for 43 per cent of aggregate group turnover of L10.800bn beyond manufacturing and into applied systems.

Downturn for Mitsubishi Electric

By Yoko Shibata in Tokyo

MITSUBISHI ELECTRIC and Oki Electric, two Japanese communication and electronics companies, suffered profit falls in the half-year to September, affected by the slide in world semiconductor prices and the yen's sharp appreciation.

Parent company pre-tax profits for Mitsubishi Electric declined 19.4 per cent to ¥28.25bn (\$132.6m) and net earnings were 14.7 per cent lower at ¥12.28bn. Turnover of ¥82.54bn showed an increase of 0.9 per cent and the dividend is none the less being raised to ¥4 from ¥3.50.

Sales of consumer products rose by 12.1 per cent to account for 30 per cent of the total turnover, helped by strong demand for air conditioners and television sets. Industrial products and automotive equipment sales increased by 9.2 per cent.

Its information and communication systems and electronic devices sector experienced a 13.1 per cent fall to account for 29.6 per cent of the total turnover.

Exports dipped 4.2 per cent overall to represent 27 per cent of all business.

For the full year to next March, the company is forecasting pre-tax profits at ¥60bn, down 23 per cent, and net earnings at ¥26.4bn, down 23.6 per cent, on turnover of ¥1.890bn, up 2 per cent from the previous year.

Oki suffered a fall of 44 per cent in pre-tax profits to ¥4.21bn, while at the net level earnings were down 34.1 per cent to ¥2.15bn. Sales totalled ¥178.19bn, up 3.4 per cent.

Schindler buys Nippon Elevator stake

By William Dufforce in Geneva

SCHINDLER, the Swiss lift manufacturing group, has bought a 30 per cent stake in Nippon Elevator, a Japanese company. The move marks its first venture into the home territory of some of its keenest competitors on the world market, such as Mitsubishi, Hitachi and Toshiba.

Jardine Matheson, the British trading group with which Schindler has been co-operating in its drive into Far Eastern markets, simultaneously bought 10 per cent of the Nippon Elevator stock. No prices are being disclosed.

Nippon Elevator is a small producer and has no exports. However, Schindler, the world number two lift manufacturer after Otis of the U.S., plans to make it a bridgehead for introducing its latest sophisticated equipment to the Japanese market.

The Swiss group, which has annual sales of about \$800m, set up a joint venture in China five years ago. It has bought its way into a substantial part of the Australian market and also does business in Hong Kong, Singapore, Malaysia, Taiwan and the Philippines.

Aborted merger puts TWA into the red

BY TERRY DODSWORTH IN NEW YORK

TWA, the U.S. transatlantic airline that was recently acquired by an investor group led by Mr Carl Icahn, lost money in the third quarter because of a \$42.9m charge against the termination of its merger agreement with Texas Air.

Net losses amounted to \$13.6m, or 56 cents a share, against earnings of \$91.3m, or \$2.61 a share, in 1984. After the payment of preferred dividends, the loss increased to \$19.5m, against net profits of \$85.2m last year.

Operating revenues increased marginally to \$1.08bn, compared with \$1.06bn in the same quarter last year, while over the first nine months, revenues increased to \$2.89bn from \$2.89bn.

Nine-month losses amounted to \$67.6m, or \$2.37 a share, after the payment of "preferred" dividends, against a profit of \$41.2m, or \$1.27 a share last year.

Mr Richard Pearson, president, said that in addition to the impact of merger-related activities, the third-quarter figures were hampered by concern with terrorist activities overseas, while domestic revenues were dented by industry discounts and inflated softening.

He added that cost reductions resulting from agreements with several of TWA's unions would help to return the company to "substantial profitability" in 1986, but said there would also be a substantial loss this year.

Agreements on reducing wages and streamlining working practices were part of a deal arranged between Mr Icahn and the unions representing TWA pilots and technicians in return. Mr Icahn backed the takeover of the group, thwarting the alternative offer from Texas Air, which the unions opposed.

Stronger exports boost Nissan profits by 7%

BY CARLA RAPOPORT IN TOKYO

NISSAN, Japan's second largest motor manufacturer, lifted pre-tax profits 7 per cent in the six months to September, largely because of increased exports.

The company's sales increased by 6.7 per cent to ¥1,938bn (\$92.1bn) and pre-tax profits were up to ¥86.5bn from ¥80.9bn last year. Net income was 3 per cent ahead at ¥42.8bn against ¥41.6bn.

Vehicle exports topped ¥1,000bn in the six months, up 10.8 per cent over the same period last year but domestic sales were unchanged at ¥877bn. Exports overall for Nissan were up 8 per cent, while domestic sales were almost static.

Operating margins improved slightly in the half-year to 2.62 per

cent from 2.47 per cent, pushing operating income to ¥50.8bn. Net income a share was ¥19.86 against ¥19.53.

The yen's appreciation against the dollar has prompted Nissan to revise its earnings forecast downward for the full year, to between ¥150bn and ¥155bn at the pre-tax level. It expects the sales to be up 6 per cent at ¥3,930bn.

Nissan says it plans to raise export prices if the yen remains below ¥220 to the dollar.

Nissan's overseas vehicle production rose 27.3 per cent in the half year to 158,482 units from 122,868. The main increases were at the Spanish and U.S. plants, while its Italian plant showed a 70 per cent drop in production.

Doubt over Siemens' bid for vehicle parts group

BY JOHN DAVIES IN FRANKFURT

SIEMENS, the West German electrical and computer concern, is seeking to take control of Pierburg, which makes carburetors for motor vehicles, but it is not clear whether the deal can go ahead.

The deal appears to hinge on whether Robert Bosch, the motor vehicle components group, would be willing to sell its 20 per cent stake in Pierburg.

Pierburg, based at Neuss, near Düsseldorf, has annual sales revenue of about DM 500m (\$189m).

Siemens is understood to have reached basic agreement to buy out the Pierburg family members who own about 80 per cent of the business.

It has also applied to the Federal

Cartel Office in Berlin for approval to take control of Pierburg.

So far, the cartel authorities have not officially given their view of the proposed takeover, but it is thought that they might block a deal that would make Siemens and Bosch partners in Pierburg. It is understood that a 100 per cent takeover by Siemens would have more chance of Cartel Office approval.

Siemens has indicated it is hopeful of buying out Bosch as well as the Pierburg family. But Bosch said yesterday that no negotiations between it and Siemens had taken place.

Bosch declined to comment further and it is not clear that it would agree to sell.

difficulties for several years in subsidiaries outside the mainstream defence activities concentrated on the parent company. Results have repeatedly fallen short of projections by M Jean-Luc Lagardere, the chairman, who forecast in June that 1985 results would be better or equal to last year's.

Matra's share price has been under pressure on the Paris bourse during the last few days. Matra disappointed investors last year when profits, although well up from the lows of FF 34m in 1983 and FF 23m in 1982, fell well short of the FF 100m earlier forecast.

Last year's results, like the first-half parent company's performance this year, would have been a loss but for substantial "carry back" tax credits.

The company, which has suffered from too heavy diversification in the past, is trying to concentrate on the military, space, telecommunications and components sectors. In the latter sphere, its joint semiconductor subsidiary with Harris of the U.S. has been performing below expectations this year.

Matra has been trying to shed peripheral businesses through a series of divestments

Matra warns on cost of restructuring

BY DAVID MARSH IN PARIS

MATRA, the French state-controlled defence and electronics group, says group profits may fall this year because of the continued cost of restructuring parts of its diversified operations.

First-half figures show that the parent company achieved a net profit of FF 32m (\$4m) because of a tax credit of FF 43.9m under the "carry back" regime which allows companies to impute past losses against their present tax liabilities.

The Matra parent company turnover fell to FF 2.4bn from FF 2.6bn. Although the company gave no

figures for the consolidated group, it said in a communiqué that subsidiary companies were generally improving. Better performances than expected in its vehicle and automation activities were offset by worse results at its car electronics company Solex, as well as in computers and components.

It added that "extra charges" generated from restructuring might bring fresh burdens at the end of the year that might lower overall results from 1984, when the group made net profits of FF 68.5m on turnover of FF 13.7bn.

Matra has been struggling with

(continued)

SWISS CAPITAL MARKETS

A global move by the Bank

By William Dullforce in Geneva

THE Swiss National Bank raised a bigger dust storm than it expected last Thursday, when it let it be known that it might ease regulations preventing Swiss capital market issues from being made outside the country.

A possible interpretation, not spelt out by the Bank, was that the traditionally insulated Swiss franc was on the way to becoming a Eurocurrency like the Deutschmark or the Pound and that a new Eurofranc sector was about to be created in the Eurobond market.

The disturbance on Zurich's Bahnhofstrasse and the tartness of some reactions from the banking community forced the National Bank to issue a statement promising early clarification of its intentions. It also passed the word that it was not planning a revolution.

The Bank's hints had evoked general confusion. At a dinner party in Geneva eight bankers proffered eight different interpretations of the Bank's intentions.

One dismissed the Bank's winks and nudges as unconvincing and thought they should be disregarded. Another wondered whether he should leave for London immediately to start looking for a house.

In Zurich several Swiss bankers, among them Mr Ulrich Grete, senior vice president at Union Bank of Switzerland, warned that if Swiss Franc issues were allowed to be made abroad without an accompanying dismantling of the domestic stamp duty on securities transactions business would be switched to London.

Many put the National Bank's move in a domestic political context. It was suggested, for example, that Mr Pierre Languetin, the Bank President and a liberal in economic thinking, was trying to force Mr Otto Stich, the Finance Minister and a Socialist, to stop dilly-dallying over the removal, at least in part, of the stamp duty.

The duty generated Sfr 1.45bn (\$670m) in revenue for the Federal Treasury last year, of which some Sfr 920m was levied on foreign business. Mr Stich's civil servants want to know how to replace that income before the duty is lifted. Swiss bankers generally presumed the worst possible case: that the National Bank would open up the market completely to foreigners. But the Bank said on Friday that this might not be so.



Pierre Languetin, president of the National Bank.

The incident illustrates the dilemma facing even liberal-minded central banks when the impulses let loose by the deregulation of international securities markets start to undermine their controls.

Swiss capital exports requiring central bank authority totalled Sfr 40.6bn (\$18.8bn) in 1984; that included bank loans and export credits. A better measure of the business at stake is the Sfr 24.8bn in bonds and notes authorised in the first nine months of this year, although only a minor part of that would be likely to shift to foreign banks.

The one remaining restriction of any importance stipulates that only banks in Switzerland can syndicate Swiss Franc issues. The market is still dominated by syndicates organised by the big five Swiss banks, although several smaller syndicates have been carving out shares in the past few years.

The National Bank perceives that with the emergence of the global capital market it will face growing difficulties in applying this restriction, which depends on other central banks co-operating in scotching efforts to launch Swiss Franc issues

outside Switzerland.

The fertility of bankers' imaginations in inventing new instruments and the recent growth of the Swaps business (in which funds raised in one currency are swapped for money raised in another) have complicated life for monetary authorities.

"The Bank of England has more to do than to act as a policeman for the Swiss National Bank in this liberalised world," an American banker said last week. "The National Bank knows it cannot go on relying on other authorities, particularly when its own banks are running around snapping up business abroad."

This is not due to any trouble between the traditionally co-operative authorities but to the physical impossibility of checking every move on what is now a complex, worldwide market place.

Borrowers recently enlarged appetite for dual currency bonds (paid in one currency, redeemed in another) featuring Swiss Francs appears to have brought the National Bank to the verge of action.

So far, bankers say, the National Bank has rejected

requests for some dual currency issues to be done outside Switzerland but the question has been raised how far Swiss regulations can be applied, for instance, to a Deutschmark/Swiss Franc bond issued in Frankfurt.

The D-mark is the currency to which the Franc is most closely linked by volume of trade and by tradition. The Bundesbank's decision earlier this year to allow foreigners to participate in D-mark bonds, provided the lead manager was based in Germany, particularly affects the Swiss.

On the assumption that the National Bank will allow lead managers abroad to syndicate loans, Swiss bankers say their commissions—3 to 3½ per cent against 2 per cent on 10-year eurodollar bonds—will be eroded. The big banks justify these high commissions by the costs of operating the dense network in Switzerland which gives them their placing power. The backbone of the Swiss Franc fixed-rate market is the Swiss investor who buys one Sfr 5,000 bond.

This essentially retail market would be difficult for foreigners to penetrate, but one foreign banker based in Switzerland—and therefore eligible to underwrite Swiss issues—feared the spread to Switzerland of Euro-market commission cutting practices.

Views differ on how much demand there might be for other Swiss Franc issues outside the country. One banker estimated that 10 per cent of the trade in Swiss paper is already taking place abroad, stimulated by the desire to avoid the withholding tax.

The Japanese, it was thought, would have the greatest interest, a large part of their equity-linked issues already being traded outside the country. Luxembourg, it was suggested, could take some business through its low fees. A fair guess might be that the National Bank will take things step by step, initially moving into line with the Bundesbank and allowing banks based abroad to underwrite issues but keeping the lead manager in Switzerland. That would not hurt Treasury revenues.

Matters will not stop there. The National Bank has issued a warning that, as the global market takes shape, Switzerland cannot remain an isolated financial island.

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Placing on a yield basis of

£100,000,000

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(Incorporated under the laws of Maryland, U.S.A.)

Interest payable half-yearly on 15th January and 15th July

The Issue has been underwritten by

Baring Brothers & Co., Limited

Application has been made to the Council of The Stock Exchange in London for the Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange in London, £100,000,000 nominal amount of the Stock will be available to the market on the date of publication of this advertisement. The Stock is payable in full at the issue price on acceptance, for value not later than 10 a.m. on 4th November, 1985.

The interest rates and issue price will be determined, as provided in the Placing Memorandum, at 3 p.m. today, will be announced later today and published in the Financial Times tomorrow, 31st October, 1985.

Particulars of the Stock are available in the Extel Statistical Service. Copies of the Placing Memorandum including the Listing Particulars relating to the Stock may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the Stock Exchange (up to, and including, 1st November, 1985) and (up to, and including, 15th November, 1985) from:

Baring Brothers & Co., Limited
8 Bishopsgate
London EC2N 4AE

Rowe & Pitman
1 Finsbury Avenue
London EC2M 2PA

Safeway UK Holdings, Limited
16 Eastcheap
London EC3

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120 Moorgate
London EC2M 6XP

30th October, 1985

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UK COMPANY NEWS

M & S 22% rise surprises City

By Lisa Wood

Marks and Spencer's shares reached a high for 1985 yesterday as the group surprised the City with a 22 per cent interim profits increase.

At £137.7m pre-tax the result compares with £112.6m and analysts' forecasts of £130m, which were made in the light of the company's rather disappointing performance in the last couple of years.

M & S is Britain's biggest retailer and one of Europe's largest companies with a value of £4.8bn on last night's closing price of 182p, up 17p. The interim dividend is up from 1.06p to 1.22p.

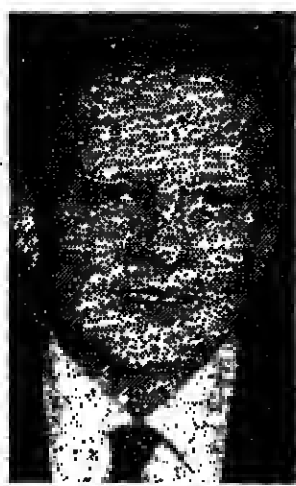
The result for the six months to September 28 1985 partly reflects changes that have taken place since Lord Rayner took over the chair in 1984 from Lord Siff.

M & S has made a fairly radical re-appraisal of activities after criticism that it was failing to keep up with many competitors' innovations in the High Street.

The re-appraisal has included the introduction of a charge card, which has proved popular with 650,000 cards in issue accounting for 8 per cent of UK turnover in the first half; a £400m refurbishment and expansion programme; and new product introductions such as garden furniture.

Of total group turnover of £1.6bn for the interim period the major growth was in the UK although European stores' sales rose 12.1 per cent to £415m. Canadian operations suffered a fall in sales from £77.5m to £74.2m although M & S said this was due to exchange rates.

M & S pointed to the turnaround in the clothing division which last year came in for



Lord Rayner, chairman

ANALYSIS OF PERFORMANCE					
	1985/86	1984/85	% change	1985/86	1984/85
UK	1,224.6	1,175.3	4.2	137.7	112.6
Europe	41.8	37.3	12.1	3.7	3.8
Canada	74.2	77.4	-4.1	6.7	6.7
Total†	1,469.9	1,452.4	1.2	157.7	122.6

FIVE YEAR RECORD					
	1984/85	1983/84	1982/83	1981/82	1980/81
Turnover	1,469.9	1,452.4	1,377.7	1,226.4	1,077.8
Pre-tax profit	157.7	112.6	103.2	103.2	103.2
Attributable	157.7	112.6	103.2	103.2	103.2
Shareholders' funds	1,224.6	1,175.3	1,140.0	1,043.7	999.2
Earnings per share†	4.5p	4.2p	4.1p	4.0p	3.9p
Dividends‡	1.22p	1.06p	1.06p	1.06p	1.06p

* Loss. † Includes direct costs and financial activities. ‡ Adjusted for scrip issue in 1984.

major criticism after reporting an increase of 7 per cent in sales. The latest figures show an increase of 15.4 per cent in clothing sales (1.4 per cent by volume).

The group said that previously in the ladies clothing the group had got wrong its mixture of fashion and classic clothing, but "this year we believe we have got the mixture right with a higher proportion of the basic merchandise and putting it together with the fashion items to generate more multiple sales. This has been combined with more exciting visual displays."

Food sales, contributing some 40 per cent of the total, grew by more than 15 per cent (11 per cent by volume) with particular success of two new product

lines, convenience foods ready for a microwave and calorie-counted dishes. The homeware, footwear and accessories side — while still contributing a smaller performance of turnover than the other two divisions — is clearly marked out by M & S as having strong growth potential with the interim result showing a 22.9 per cent sales rise.

M & S said its Marble Arch store now sold more footwear than any other store in the world and the company believed its lighting department would next year rank as Britain's second largest retailer of lighting.

The charge card business incurred start-up losses of £4.8m, compared with £0.8m last

year when the business was in its infancy. M & S said it now believed it had resolved initial teething problems of the system, mainly due to the lead of business, which it sees as a major competitor to Barclaycard and Access.

Given the size of the store refurbishment and investment programme the results show a time lag between a commitment to the £400m spent and costs being reflected on the balance sheet. Net interest receivable, which the City expected to fall, rose by £2m to £4.2m. Mr Keith Oates, M & S's finance director, said only about one-third of the expenditure would be made this financial year with the rest being made in 1987.

operate as a separate autonomous business under its existing management. The acquisition will be put for shareholders' approval at an extraordinary meeting on November 21.

DPCE contracts
DPCE Holdings, engaged in computer maintenance, has signed three contracts worth £270,000 annually with three banks, National Westminster, Citibank and ABN.

"The UK banking community is becoming a major customer for DPCE's computer maintenance services," said Mr Colin Clive, the chairman, at yesterday's annual meeting. "Our annual revenues from this sector have now reached £1.5m."

Unexpected loss for Glanfield Lawrence

By Lucy Kellaway

GLANFIELD LAWRENCE, North London-based motor dealer, announced yesterday a surprise first-half loss of £127,000 (profit £89,000) which contrasts starkly with a statement in May that the company had made a "slight profit" in the first three months.

The cause of the discrepancy was inaccurate management accounts which had attributed profits to subsidiaries which were actually making losses, says the company.

This latest announcement marks a repeat performance of the results for the full year which contained a provision against a "significant discrepancy" in the accounts of a subsidiary.

Glanfield is 51 per cent owned by Gregory Securities, a private company, which won control in February after a fierce battle in which Glanfield's previous owners had forecast a profit for 1984 of £250,000 only to turn in a loss for the period of a similar amount.

Mr J. Provost, Glanfield's new finance director, yesterday reiterated the company's earlier assurance that the problems are now solved. The company is in consultation with its legal advisers over the "responsibilities for these and past matters," and says that it will "report any progress in due course."

Turnover in the six months to June was £7.2m, compared with £6.8m in the same period last year, after after charging interest of £223,000 (£169,000).

In the first six months some of the garage have been closed. The filling station at Finchley and the garage at Greenford are still in operation, although the Greenford garage, where the bulk of the accounting problems have occurred, is still making losses.

The financial division and property division are profitable, while Glanfield, Lawrence (Developments) which has started trading should make a "sizeable profit" in the second half, the company says.

Group borrowings have been reduced from £4.7m at year end to £2.3m at September 30, and board expects "substantial" further reductions.

For the three months to September profits before tax are expected by the company to be at least £100,000.

Worley bought by Coloroll in £2m deal
By David Goodhart
Coloroll, wallpaper and home furnishings manufacturer, has made its first acquisition since joining the stock market in May, paying £2m for Worley Ltd, Gainsborough-based wallpaper manufacturer.

The enlarged company will have a share of more than 80 per cent of the UK wallpaper market and a turnover of more than £50m.

Coloroll is paying £1.5m cash and £500,000 in ordinary shares. It will leave the Worley family, which owns more than 80 per cent of the company, with a stake of about 1.5 per cent in Coloroll.

The privately-owned Worley had pre-tax profits of £249,000 on turnover of £14.5m for the year to December 31, 1984 when net assets were £3.5m. The company employs about 240 people in Gainsborough and Port Talbot.

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LORRAINE GOLD MINES LIMITED
(Incorporated in the Republic of South Africa)
Reg. No. 05/39128/06
Declaration of Ordinary Dividend No. 8
The following dividend has been declared for the year ended 30 September 1985:
Ordinary Dividend No. 8 of 75 cents per ordinary share.
The dividend has been declared payable to members registered in the books of the Company at the close of business on Friday, 22 November, 1985. The dividend has been declared in the currency of the Republic of South Africa and payment from London will be made in United Kingdom currency. The date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 2 December, 1985 or such other date as set out in the conditions subject to which the dividend is paid. These conditions can be inspected at the registered office or office of the London secretaries of the Company.

Warrants in payment of the dividend will be posted on or about 20 December, 1985. The transfer books and registers of members of the Company in Johannesburg and London will be closed from 23 to 29 November 1985, both days inclusive.

By Order of the Board
ANGLOVAAL LIMITED
Secretaries
per: K. G. Williams
Registered Office
Anglovaal House
50 Main Street
Lansdowne 2001
(P.O. Box 63579)
Marshalltown, 2107
Directors: D. J. Crowe, Chairman (British), K. M. Hosking, W. B. Evans, B. E. Harrow, DMS, G. C. Kraft, W. W. Mullan, Clive S. Munn, S. W. Van der Colf, G. S. Young, R. A. D. Wilson.
Alternates: P. J. Eustace, F. S. Clarke, P. Taljaard, C. B. Corrin.

Second half lift takes BCA 12% ahead to £10m

SECOND half pre-tax profits up from £6.0m to £6.5m have lifted the full year figures of the British Car Auction Group by 12 per cent to a record £16.14m for the year ended August 3 1985. This compares with a restated £12.06m last time, which included an exceptional profit of £1.17m.

The group has shed its 46 per cent stake in Midpaca, conditional contracts being exchanged on October 12. Of the £9.66m received for the investment some £2m will be shown over cost.

The contribution to group profits for the 1984/85 year was £1.47m. Gross auction sales for the 12 months rose by 35 per cent from £1.55bn to £2.1bn, while turnover advanced to £24.02m, against £14.5m, a rise of 32 per cent.

The board, headed by Mr David Wickins, states that trading so far in the current year is ahead and they view the future with optimism and expect another record year.

After tax charges of £3.3m, compared with £3.83m, earnings per 10p share are given as 8.33p (8.33p) while the dividend for the year is lifted from 2.5p to 3.25p with a final payment of 2p.

Net profits of the UK auction businesses increased from £4.02m to £5.00m, a rise of 27 per cent, and followed an improvement in gross sale proceeds of 15 per cent and auction income of 19 per cent, the directors say.

Completion of the purchase of some 560 acres of freehold land and buildings at Blackbushe Airport, near Camberley, Surrey, took place on November 28 1984 for £7.5m paid in cash. The intention is to construct the most modern auction complex in Europe, while expanding and improving the airport facilities and increasing substantial income from the "Sunday Market" located there, directors state.

The heavy commercial vehicle and plant auctions have already been transferred from Farnborough to Blackbushe, the first sales being held in April. The results to date have been "very encouraging," directors say.

Construction work on the new car auction facilities has already



Mr David Wickins, chairman of BCA

started and it is anticipated that the building work will be completed during spring 1986. The sale of the auction land and premises at Farnborough, Hants, and the former head office at Farnham, Surrey, was completed on June 12 1985. The total sale proceeds were £9.75m of which £4.75m was paid in completion and the balance of £5m will be given in the form of a loan to the company.

The first auction sale at the new branch at Paddock Wood, Kent was held on October 9 1984. The greatly improved facilities have been well received, directors say, and both turnover and profits are "very satisfactory." The old premises at Tunbridge Wells have been sold for £8.5m.

Together with the new auction at Preston and the development of Blackbushe, directors say the continued expansion of the UK motor auctions "is assured."

The contribution made to group net profits on ordinary activities by the U.S. motor

auctions was £2.2m, compared with £0.6m for the previous year. This decrease was due to a disappointing performance in the first six months caused by several factors including bad winter weather, which severely hampered operations. In addition, a very strong new car market with record sales in 1984 adversely affected the market for one and two year old cars, the directors state. Auction turnover and profits improved considerably during the last quarter and the prospects for the current financial year are much brighter.

One further auction business was acquired in August 1985, Baltimore-Washington Auto Exchange Inc for \$9m and the existing auction business at San Francisco moved to a new purpose built premises, on 30 acres of freehold land, in April, 1985 at a cost of \$7.64m.

comment
British Car Auction's results were sufficiently in line with forecasts for the market to turn its attention to the ramifications of the pull-out from Midpaca rather than the numbers themselves. For BCA, it is unlikely to do anything but good in the City's eyes: the return on the investment had never been high and the cash from the divestment will be more productively used in reducing BCA's 66 per cent loan. The group had also been concerned about the extent of BCA's fringe activities, and the connection with Hawley had never done its image much good. For Hawley, this further step towards a tidying up of its activities, which the City found itself raising a collective eyebrow at the sight of, may well be some benefit.

Midpaca using one of its own subsidiaries to guarantee the transaction. Meanwhile, on the trading front, BCA looks in line for a recovery after last year's underperformance and something approaching £1m looks likely this year, putting the shares, down 2p at 90p yesterday, on an undemanding p/e ratio of 91 after a 32 per cent tax charge.

BET increases stake in SGB to 9.1%

BET, the international services company which has made a three-for-four all-share bid for SGB, the scaffolding company, revealed yesterday that it has increased its stake in SGB to 9.1 per cent.

Last week BET acquired 5.2 per cent, before announcing the bid, quickly followed by 1.2 per cent. Yesterday it revealed a further 1.7 per cent bought at 260p per share, which the company claimed was below the value of BET's offer and thus demonstrated rejection by SGB shareholders of their directors' advice to resist the bid.

At BET's closing price last night of 345p, up 10p, and SGB's—up 2p at 262p—the offer values each SGB share at 269p

Cray Elect £10m expansion

By Frank Kame

Cray Electronics, the fast-growing manufacturer of weapons components and other scientific equipment, is to pay up to £9.7m for a privately-owned company Malvern Instruments, based in Worcestershire.

The deal will be financed by the issue of new Cray ordinary shares, with an initial instalment of £7.1m on completion and two further payments in a profit-related arrangement.

A vendor placing has been arranged for 305,000 Cray ordinary shares at 212p to raise £71.44m and provide 10 per cent of the initial consideration in cash. Cray's shares closed at 235p last night, up 15p.

Malvern's business is in the field of particle analysis technology and instrumentation. Mr

Bernard Collins, Cray's managing director, said yesterday that the company's activities in computer-controlled laser measurements, with its many applications in laser optics and computer techniques, would complement Cray's existing activities.

Mr Collins also said that Malvern's strong export performance and its subsidiary in Boston, U.S., had attracted Cray. In the year to March 31 1985, 60 per cent of Malvern's turnover of around £3.6m came from overseas. He said, helping the company to pre-tax profits of £912,000, up from £715,000.

Net tangible assets attributable to shareholders at that date came to £984,000. Following completion of the purchase, it is intended that Malvern will

operate as a separate autonomous business under its existing management.

The acquisition will be put for shareholders' approval at an extraordinary meeting on November 21.

DPCE Holdings, engaged in computer maintenance, has signed three contracts worth £270,000 annually with three banks, National Westminster, Citibank and ABN.

"The UK banking community is becoming a major customer for DPCE's computer maintenance services," said Mr Colin Clive, the chairman, at yesterday's annual meeting. "Our annual revenues from this sector have now reached £1.5m."

Preliminary Statement of Results for 1985

FROGMORE ESTATES PLC

Audited Results	year ended 30 June 85	year ended 30 June 84
Turnover	£800's 38,607	£800's 42,182
Profit Before Taxation	10,202	9,086
Taxation	(4,662)	(1,253)
Profit For The Year	5,540	7,894
Dividends	(2,402)	(2,123)
Retained Profit For The Year	3,138	5,771
Earnings per share	16.0p	22.9p
Dividends per share	6.91p	6.15p
Net Asset Value per share	228p	182p
Contracted Rent Roll	£6.829m	£5.497m

Dividend
The directors recommend the payment of a final dividend of 5.15p which together with the interim dividend paid, makes a total for the year of 6.919p net, an increase of 12.4%.

Subject to approval by the members at the Annual General Meeting, the final dividend warrants will be posted on 13 December 1985 to those shareholders on the register at close of business on 21 November 1985

Highlights from Chairman's Statement

- * An excellent year, pre-tax profits £10.2m
- * Dividend increased by 12.4%. Covered 2.3 times by earnings
- * Independent valuation shows surplus of £12.9m; net assets per share now 228p, up 24%
- * Portfolio now valued in excess of £87m, up 21%, over 52% of which comprises commercial and retail investments
- * Contracted rent roll £6.829m, up 24%
- * Borrowing down by over 40% to £16.7m
- * Excellent start to the current year. Five new projects acquired and several major new lettings contracted
- * Company's financial strength, coupled with revival in demand, makes prospects better than for several years past

Copies of the Report and Accounts will be available in mid-November from the Company Secretary

FROGMORE HALL
WATTON AT STONE
HERTFORDSHIRE
SG14 3RW
TEL: WARE (0920) 830033
TELEX: 817068 FROGMO

FROGMORE ESTATES PLC



NOTICE OF REDEMPTION THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK

US\$100,000,000 Guaranteed
Floating Rate Notes due 1992, Series 78A

Notice is hereby given to the holders of the above Notes that, pursuant to the provisions of Clause 3 (2) (i) of the Floating Rate Note Redemption Agreement dated 17th June 1982, the Issuer intends to redeem the Notes on 19th December 1985 at a redemption price equal to 100 per cent of the principal amount thereof plus accrued interest of US\$14.02 for each US\$100,000.

Payments will be made on or after 19th December 1985 against presentation and surrender of Notes with coupons at any of the following offices: Manufacturers Hanover Limited, 7 Finsbury Street, London EC2P 2EN; Manufacturers Hanover Bank/Belgium SA/NV, 13 Rue de Ligne, 1000, Brussels; Manufacturers Hanover Bank Luxembourg SA, 39 Boulevard Prince Henri, Luxembourg; Manufacturers Hanover Trust Company, 33 Stockenstrasse, Zurich.

Interest will cease to accrue on the said Notes as from 19th December 1985.

Manufacturers Hanover Limited
Fiscal and Principal Paying Agent

30th October 1985

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers
8 Lovat Lane London EC3R 6BP Telephone: 01-421 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross Yield	P/E Ratio
146	122	Ass. Brit. Ind. Ord.	131	-	8.8	6.0
151	138	Ass. Brit. Ind. CULS	137	-	10.0	7.3
77	63	Armstrong Group	68	-	11.0	8.7
46	28	Armstrong & Rhodes	48	-	4.3	9.8
163	148	Barton Hill	151	-	4.0	2.8
64	42	Bey Technology	56	-	3.8	3.8
191	151	CCU Ordinary	151	-	2.2	7.9
180	150	CCU 1/2 Conv. Pw.	151	-	15.7	15.2
130	100	Carborundum Ord.	122	-	10.7	11.6
52	30	Carborundum 7.5% P.W.	32	-	7.0	13.5
45	28	Debonair Services	30	-	7.0	13.5
32	21	Frederick Parfums	21	-	7.0	13.5
83	53	George Blair	77	-	2.0	3.1
82	50	Ind. Facilities Castings	77	-	15.0	7.9
218	177	Isla Group	188	-	8.5	5.1
286	213	Jackman Group	207	-	12.9	12.8
35	23	James Watson & Co.	25	-	12.9	12.8
55	33	James Watson & Co. P.W.	35	-	12.9	12.8
225	100	John Howard & Co.	110	-	15.0	16.7
100	50	Lingwood 10.5% P.W.	50	-	6.9	1.2
60	30	Lingwood Holdings NV	30	-	15.0	16.7
120	31	Robert Jenkins	31	-	10.0	10.0
50	28	Seruton's A	31	-	5.0	7.4
162	68	Torrey & Callan	68	-	1.3	18.2
444	280	Torrey Holdings	280	-	2.1	7.2
35	17	Uniclock Holdings	35	-	2.1	7.2
247	195	Walter Alexander	195	-	17.4	8.7

Prices and details of services now available on request, page 401

UK COMPANY NEWS

Allied attacks IXL banks' role

BY MARTIN DICKSON

Allied-Lyons, which is fighting a £1.8bn takeover bid, yesterday delivered a strong attack on a consortium of eight international banks, led by Citibank, of the U.S., which are involved in the bid with Elders IXL, the Australian brewing and agricultural company.

Allied, one of Britain's biggest food and drink groups, accused the banks of "spearheading a takeover raid aimed at destroying a very large and successful group where each of the parts contributes to the success of the others and the whole." It demanded an explanation of their conduct and policy.

The attack was made as part of comments on the structure of IXL, the English company set up as a vehicle for the bid. The banks hold 59 per cent of the company, with stakes of a little

more than 20 per cent held by Elders and by two Monaco-based advisors to the Australian group.

Elders, which is about one quarter of Allied's size, has call options enabling it to take full ownership of IXL, following repayment of loans through which the banks are funding the bid.

Allied noted that "reconstruction of the group was planned, should the bid be successful."

"As this would be prior to the banks obtaining repayment of their loans, they would still have control of IXL. Citibank and the other banks must therefore intend themselves to liquidate and break up the Allied-Lyons group."

It went on: "As their involvement facilitates an attack which Elders could not normally hope

to finance more than fractionally itself, and is far removed from the normal business of commercial lending banks in the UK, a statement from Citibank and the other banks in explanation of their conduct, and policy is long overdue."

Allied argued that if the banks' loans were repaid out of the proceeds of the sale of Allied assets, that would constitute a breach of the Companies Act, under which it was illegal for companies to provide financial assistance for the purchase of their own shares.

An explanation is due from Citibank, not just as to its technical methods of avoiding the relevant Companies Act section (such as artificially converting Allied-Lyons into a private company) but as to the propriety of its proposed

course of action in circumventing this long-established principle of UK company law."

However, Hill Samuel, Elders' merchant bank, last night dismissed the attack as mischievous and designed to divert attention from a serious cash offer.

It said that IXL's plans were entirely legal. Most of the questions raised by Allied had already been adequately covered, and any further necessary disclosure would be provided in IXL's formal offer document.

Although not yet officially named, the seven banks involved with Citibank are understood to be: Bankers Trust, Canadian Imperial Bank of Commerce, Creditanstalt, Dresdner Bank, Hongkong and Shanghai Bank, The Bank of Nova Scotia and Banque Paribas.

ICI to buy rest of U.S. seed company

Imperial Chemical Industries is to buy the rest of Garst Seed Co. of Iowa at a price which is believed to value the company at between \$50m and \$60m.

Garst is the third biggest producer of corn seed in the U.S. ICI bought a stake, believed to amount to just half the equity, in February, saying that it wanted to move to full ownership in the future.

A private family company, Garst initially wanted to retain majority control, however, the company has developed an in-house range of hybrid seeds which has proved highly successful, and additional capital is needed for further development.

"The partnership has worked well over the last month," ICI said. "This seemed the right time to take the next step."

ICI sees Garst as an important part of its strategy for the next century. Seed technology is seen as a promising area for biotechnology and genetic engineering techniques of the kind which ICI has developed in its central research establishment at Macclesfield, Cheshire.

Before its connection with Garst, the group had no outlet for the skills it had developed.

ICI said: "Garst is already experienced in the area of biotechnology. But it was looking for a partner to expand its activities, and it took it some time to find someone with the right plant technology."

Garst has about 300 employees, and had sales last year of about \$80m (£56m). No profit figures have been disclosed.

Standard Chartered cuts stake in SA affiliate

BY DAVID LASCELLES, BANKING CORRESPONDENT

Standard Chartered, the London-based international bank, is about to further reduce its stake in Stanbic, its South African affiliate from 42 per cent to about 38 per cent.

Stanbic is acquiring two companies in which it already has a stake, the Unisee and Hesperus groups, in exchange for an issue of 9.2m shares worth R174m. Standard Chartered will not be subscribing to this new issue, though it will form part of the cash alternative.

Its underwriting role is designed to dispel any sugges-

tion that the Unisee and Hesperus acquisitions are being made purely to give Standard Chartered an opportunity to lower its South African profile at a highly sensitive moment.

Unisee and Hesperus are both financial and investment companies, a large proportion of whose assets are in cash or readily realisable form. The acquisition is, therefore, essentially a rights issue for Stanbic, which is having a successful year. The deal will be concluded in January.

Although Standard Chartered's stake in Stanbic will fall, the size of its investment remains the same, and is valued at about £130m.

This is the second time Standard Chartered has cut its stake in Stanbic this year. Last February, it stood back from a R177m rights issue which resulted in its holding falling from 50.3 per cent to 41.9 per cent and Stanbic becoming an affiliate rather than a subsidiary.

The bank has a policy of gradually building up its business in new geographical areas, notably North America where it recently bought a bank in Arizona.

Magnetic Materials' £20m value

AN OFFER for sale of 4.98m shares in Magnetic Materials Group has been arranged by Phillips & Drew at 114p a share, valuing the business—one of Europe's largest manufacturers of magnetic materials—at £20.1m.

In total, 28.2 per cent of the company is on offer, of which 1.9m shares are coming from existing shareholders with the balance raising £3.17m, after expenses to expand the manufacturing base.

Products fall into two broad areas of magnetic materials—soft and hard. Soft products are actually not magnets in themselves but are made from metal oxides and only demonstrate magnetic properties in the presence of an electric circuit. Hard magnets are those which retain magnetism and are, therefore, known as permanent magnets.

The group has a capital expenditure plan which totals

almost £4m over the next 18 months.

The group was formed as recently as 1982 despite parts of the business spanning 100 years. Profits in 1982-83 were depressed by the heavy costs of rationalising the new operation, leaving the pre-tax figure at just £79,000. The following year that leapt to £1.73m and then to £2.22m.

On historic profits, MMG is coming to the market on a p/e of 12.1 on a notional tax charge, or 9.7 on an actual charge of 18.4 per cent. The prospective yield is stretched at 3.5 per cent.

comment

Rating a group such as MMG with such a wide spread of customers is new, but as investors lack industry trends on which to base their judgment. Elements, for example, is one obvious customer area but MMG seems none the worse for the

problems of that sector. It may be that the broad spread insulates it from the sluggishness of any particular industry but if so, MMG may well be one of those companies that shows steady—but never inspiring—profits growth. That is probably wrong though the short record of the combined group offers little clue to its potential. It has a sound balance sheet and the money being raised now is largely to accelerate capital spending plans. That expansion, and the potential overseas, are perhaps the main points for investors to concentrate upon. MMG may be a dominant force in the UK but worldwide it only has a 1 per cent of the market and magnets are enjoying wider applications throughout many industries. The offer will get away without difficulty though initially at least the price might be pushed no higher than, say, 125p.

Godwin Warren £1.7m expansion

BY LUCY KELLAWAY

Godwin Warren Control Systems, the USM-quoted manufacturer of car park barriers, yesterday made an agreed £1.7m bid for Sunleigh Electronics, a manufacturer and distributor of electronic and scientific optical equipment.

The terms of the offer are one Godwin Warren share for every 23 Sunleigh shares, which are also quoted on the USM. There is a separate cash alternative of 165p which has been underwritten by Foster & Braithwaite and de Zoete & Bevan.

The directors of Sunleigh, who own 59 per cent of the company, have undertaken to accept the offer, and are recommending that shareholders comply.

Full acceptance would involve the issue of 1m new shares in Godwin Warren, increasing its share capital by 17 per cent. Sunleigh, which employs 70 people has a customer list including the Ministry of Defence, British Telecom and Marks & Spencer, and made profits of £179,000 last year compared with £400,000 in 1983.

In the half year to June 1985 Godwin Warren made pre-tax profits of £225,000.

Yesterday Sunleigh revealed that Mr N. Buckhalter, the company's chairman, and the family of Mr J. Samuels, a director, each made a gift of 500,000 Sunleigh shares to Mr J. Robbins, the company secretary. Mr Robbins said last night that the gift was at least the price for "all the work I've put into the company."

British Assets buys Investors Capital stake

British Assets Trust, the Edinburgh-based investment trust managed by Ivory and Sims, yesterday announced the purchase of 12m shares in Investors Capital Trust, a stake of 19.4 per cent.

British Assets also said it was "formulating proposals which it believes will be in the interests of all shareholders." Ivory and Sims said a further announcement would be made as soon as possible.

Among other investment trust share dealings, it was announced yesterday that British Empire Securities and General Trust has increased its stake in Scottish Investment Trust to 7.68m ordinary shares (8.07 per cent).

Scott Heritable letting

Scottish Heritable Trust, York-based industrial building company, has completed the lease of its Laser House development in Gorsewell Road, London.

The property has been let to a "major public company" on a 35-year lease at an annual rent of £300,000, subject to a reduction of up to £70,000 a year.

Investing in the future

Marks and Spencer p.l.c. unaudited results for the first half of the financial year ending 28th September 1985.

	26 Weeks ended 28th Sept 1985	26 Weeks ended 29th Sept 1984	Inc	52 Weeks ended 31st March 1985
GROUP SALES (excluding VAT and other sales taxes)	£m	£m	%	£m
United Kingdom Stores				
Clothing	743.6	644.6	15.4	1,423.8
Homeware, Footwear and Accessories	145.6	118.5	22.9	305.1
Foods	635.4	550.2	15.5	1,171.3
	1,524.6	1,313.3	16.1	2,900.2
Overseas Stores				
Europe	41.8	37.3	12.1	80.9
Canada (note 3)	74.2	77.6	(4.4)	175.0
Direct export sales outside the Group	22.1	18.1	22.1	38.2
	1,662.7	1,446.3	15.0	3,194.3
Financial Activities (note 5)	7.1	6.1	16.4	11.7
TOTAL GROUP TURNOVER	1,669.8	1,452.4	15.0	3,206.0
GROUP PROFIT BEFORE TAXATION (note 2)	137.7	112.6	22.3	303.4
TAXATION (note 4)	53.9	44.7	20.6	120.3
GROUP PROFIT AFTER TAXATION	83.8	67.9		183.1
Profit/(loss) attributable to minority interests	0.2	(0.3)		2.0
PROFIT ATTRIBUTABLE TO MARKS AND SPENCER p.l.c.	83.6	68.2	22.6	181.1
Earnings per share	3.2p	2.6p		6.9p

NOTES:

1. The figures have been prepared on the historical cost basis of accounting.

2. Group profit before taxation arises as follows:—

The United Kingdom	1985	1984
Europe	133.3	110.3
Canada	3.7	3.0
	0.7	(0.7)
	137.7	112.6
Retailing	139.9	109.9
Financial Activities (note 5)	(2.2)	2.7
	137.7	112.6

3. The results of overseas subsidiaries have been consolidated using rates of exchange ruling at the end of each period. Because of the strengthening of sterling against the Canadian dollar, the Canadian exchange rate is materially different from that used last year. Expressed in Canadian dollar terms, compared with the first half last year, sales increased from C\$126.2 million to C\$142.8 million, an increase of 13.2% and the profit before tax for the half year was C\$1.4 million compared to a loss of C\$1.1 million last year.

4. The taxation figure for the first half of last year has been adjusted to reflect the actual rate of taxation on the year's profit.

5. Financial activities include the results of the Chargecard, leasing and insurance activities. Following the introduction of the Chargecard, income and expenses relating to all financial activities have been included in turnover and cost of sales. Last year's figures have been reclassified. During this period our Chargecard operation incurred losses of £4.8 million (£0.3 million loss last year).

STATEMENT BY THE CHAIRMAN THE LORD RAYNER

During the six months under review sales in the UK were ahead in all Groups. Our clothing performance shows signs of strong recovery in Ladies and Childrenswear, and continued progress in Menswear despite poor summer weather affecting the sales of some highly seasonal merchandise. The Foods and Homeware Divisions made good progress based on our policy of innovation and product development.

Prices contained an average inflation element of 2.4%. We experienced strong volume growth in all Divisions: Clothing 14%, Foods 11%, Homeware 20%.

Our investment in the refurbishment and expansion of our UK stores is proceeding well and UK sales floor space increased by 3.4% over the period. The 25 stores so far completed are experiencing a higher level of takings than

expected and well above the average for other stores. The Marks and Spencer Chargecard with 950,000 users now accounts for 8% of UK turnover, a proportion which is rising.

Overseas performance has been encouraging with better results from our Canadian and European subsidiaries.

We look forward to a satisfactory second half year.

Town and Country Garden Centres plc

sponsored by

Scott Goff Layton & Co

Under the terms of the Business Expansion Scheme £500,000 has been raised to finance the Company.

Town and Country Garden Centres plc has been set up to operate a chain of urban garden and outdoor leisure centres, initially in Greater London. The first centre will be situated at Alexandra Palace.

Auditors
DIXON WILSON

Scott Goff Layton & Co
Members of The Stock Exchange
Salisbury House
London Wall, London EC2M 5SX

Solicitors to the issue
MACFARLANES

Marks & Spencer

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INSURANCE, OVERSEAS & MONEY FUNDS

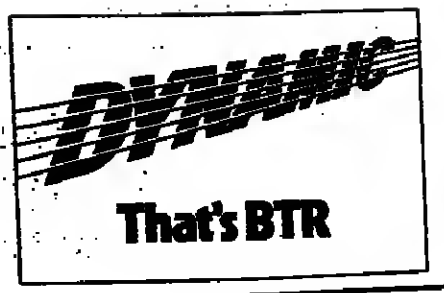
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OFFSHORE AND OVERSEAS

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OPTIONS

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BRITISH FUNDS

High Low Stock Price % Chg Yld

Table with multiple columns listing various British funds, their stock prices, percentage changes, and yields. Includes sub-sections for 'Shorts' and 'Five to Fifteen Years'.

AMERICANS - Cont.

Table listing American stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

CANADIANS

Table listing Canadian stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

BANKS, HP & LEASING

Table listing bank and leasing stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

COMMONWEALTH & AFRICAN LOANS

Table listing commonwealth and African loan stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

LOANS

Table listing various loan stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

Public Board and Ind.

Table listing public board and industrial stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

FOREIGN BONDS & RAILS

Table listing foreign bonds and rail stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

AMERICANS

Table listing American stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont. DRAPERY & STORES - Cont.

Main table for London Share Service, divided into Building, Timber, Roads, Drapery, and Stores sections. Each section contains a list of companies with their stock prices, percentage changes, and yields.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

ENGINEERING - Continued

Table listing engineering stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

HOTELS - Continued

Table listing hotel stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

INDUSTRIALS (Selected)

Table listing selected industrial stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

FOOD, GROCERIES, ETC.

Table listing food and grocery stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

ENGINEERING

Table listing engineering stocks with columns for High, Low, Stock, Price, % Chg, and Yld.

INDUSTRIALS—Continued									
1985	1984	Stock	Price	Div	Yield	1985	1984	Stock	Price
45	45	British Petroleum	127.50	1.25	0.98	100	100	British Petroleum	127.50
46	46	Shell	115.00	1.00	0.87	101	101	Shell	115.00
47	47	Esso	110.00	0.90	0.82	102	102	Esso	110.00
48	48	BP	115.00	1.00	0.87	103	103	BP	115.00
49	49	Amoco	105.00	0.85	0.80	104	104	Amoco	105.00
50	50	Exxon	110.00	0.90	0.82	105	105	Exxon	110.00
51	51	Marathon	100.00	0.80	0.76	106	106	Marathon	100.00
52	52	Phillips	95.00	0.75	0.79	107	107	Phillips	95.00
53	53	Valero	90.00	0.70	0.78	108	108	Valero	90.00
54	54	Conoco	85.00	0.65	0.76	109	109	Conoco	85.00
55	55	Arco	80.00	0.60	0.75	110	110	Arco	80.00
56	56	Energy East	75.00	0.55	0.73	111	111	Energy East	75.00
57	57	Energy West	70.00	0.50	0.71	112	112	Energy West	70.00
58	58	Energy North	65.00	0.45	0.69	113	113	Energy North	65.00
59	59	Energy South	60.00	0.40	0.67	114	114	Energy South	60.00
60	60	Energy Central	55.00	0.35	0.63	115	115	Energy Central	55.00
61	61	Energy Midwest	50.00	0.30	0.60	116	116	Energy Midwest	50.00
62	62	Energy Northeast	45.00	0.25	0.56	117	117	Energy Northeast	45.00
63	63	Energy Southeast	40.00	0.20	0.50	118	118	Energy Southeast	40.00
64	64	Energy Northwest	35.00	0.15	0.43	119	119	Energy Northwest	35.00
65	65	Energy Southwest	30.00	0.10	0.33	120	120	Energy Southwest	30.00
66	66	Energy Central West	25.00	0.05	0.20	121	121	Energy Central West	25.00
67	67	Energy Central East	20.00	0.00	0.00	122	122	Energy Central East	20.00
68	68	Energy Central South	15.00	0.00	0.00	123	123	Energy Central South	15.00
69	69	Energy Central North	10.00	0.00	0.00	124	124	Energy Central North	10.00
70	70	Energy Central West	5.00	0.00	0.00	125	125	Energy Central West	5.00
71	71	Energy Central East	0.00	0.00	0.00	126	126	Energy Central East	0.00
72	72	Energy Central South	0.00	0.00	0.00	127	127	Energy Central South	0.00
73	73	Energy Central North	0.00	0.00	0.00	128	128	Energy Central North	0.00
74	74	Energy Central West	0.00	0.00	0.00	129	129	Energy Central West	0.00
75	75	Energy Central East	0.00	0.00	0.00	130	130	Energy Central East	0.00
76	76	Energy Central South	0.00	0.00	0.00	131	131	Energy Central South	0.00
77	77	Energy Central North	0.00	0.00	0.00	132	132	Energy Central North	0.00
78	78	Energy Central West	0.00	0.00	0.00	133	133	Energy Central West	0.00
79	79	Energy Central East	0.00	0.00	0.00	134	134	Energy Central East	0.00
80	80	Energy Central South	0.00	0.00	0.00	135	135	Energy Central South	0.00
81	81	Energy Central North	0.00	0.00	0.00	136	136	Energy Central North	0.00
82	82	Energy Central West	0.00	0.00	0.00	137	137	Energy Central West	0.00
83	83	Energy Central East	0.00	0.00	0.00	138	138	Energy Central East	0.00
84	84	Energy Central South	0.00	0.00	0.00	139	139	Energy Central South	0.00
85	85	Energy Central North	0.00	0.00	0.00	140	140	Energy Central North	0.00
86	86	Energy Central West	0.00	0.00	0.00	141	141	Energy Central West	0.00
87	87	Energy Central East	0.00	0.00	0.00	142	142	Energy Central East	0.00
88	88	Energy Central South	0.00	0.00	0.00	143	143	Energy Central South	0.00
89	89	Energy Central North	0.00	0.00	0.00	144	144	Energy Central North	0.00
90	90	Energy Central West	0.00	0.00	0.00	145	145	Energy Central West	0.00
91	91	Energy Central East	0.00	0.00	0.00	146	146	Energy Central East	0.00
92	92	Energy Central South	0.00	0.00	0.00	147	147	Energy Central South	0.00
93	93	Energy Central North	0.00	0.00	0.00	148	148	Energy Central North	0.00
94	94	Energy Central West	0.00	0.00	0.00	149	149	Energy Central West	0.00
95	95	Energy Central East	0.00	0.00	0.00	150	150	Energy Central East	0.00
96	96	Energy Central South	0.00	0.00	0.00	151	151	Energy Central South	0.00
97	97	Energy Central North	0.00	0.00	0.00	152	152	Energy Central North	0.00
98	98	Energy Central West	0.00	0.00	0.00	153	153	Energy Central West	0.00
99	99	Energy Central East	0.00	0.00	0.00	154	154	Energy Central East	0.00
100	100	Energy Central South	0.00	0.00	0.00	155	155	Energy Central South	0.00
101	101	Energy Central North	0.00	0.00	0.00	156	156	Energy Central North	0.00
102	102	Energy Central West	0.00	0.00	0.00	157	157	Energy Central West	0.00
103	103	Energy Central East	0.00	0.00	0.00	158	158	Energy Central East	0.00
104	104	Energy Central South	0.00	0.00	0.00	159	159	Energy Central South	0.00
105	105	Energy Central North	0.00	0.00	0.00	160	160	Energy Central North	0.00
106	106	Energy Central West	0.00	0.00	0.00	161	161	Energy Central West	0.00
107	107	Energy Central East	0.00	0.00	0.00	162	162	Energy Central East	0.00
108	108	Energy Central South	0.00	0.00	0.00	163	163	Energy Central South	0.00
109	109	Energy Central North	0.00	0.00	0.00	164	164	Energy Central North	0.00
110	110	Energy Central West	0.00	0.00	0.00	165	165	Energy Central West	0.00
111	111	Energy Central East	0.00	0.00	0.00	166	166	Energy Central East	0.00
112	112	Energy Central South	0.00	0.00	0.00	167	167	Energy Central South	0.00
113	113	Energy Central North	0.00	0.00	0.00	168	168	Energy Central North	0.00
114	114	Energy Central West	0.00	0.00	0.00	169	169	Energy Central West	0.00
115	115	Energy Central East	0.00	0.00	0.00	170	170	Energy Central East	0.00
116	116	Energy Central South	0.00	0.00	0.00	171	171	Energy Central South	0.00
117	117	Energy Central North	0.00	0.00	0.00	172	172	Energy Central North	0.00
118	118	Energy Central West	0.00	0.00	0.00	173	173	Energy Central West	0.00
119	119	Energy Central East	0.00	0.00	0.00	174	174	Energy Central East	0.00
120	120	Energy Central South	0.00	0.00	0.00	175	175	Energy Central South	0.00
121	121	Energy Central North	0.00	0.00	0.00	176	176	Energy Central North	0.00
122	122	Energy Central West	0.00	0.00	0.00	177	177	Energy Central West	0.00
123	123	Energy Central East	0.00	0.00	0.00	178	178	Energy Central East	0.00
124	124	Energy Central South	0.00	0.00	0.00	179	179	Energy Central South	0.00
125	125	Energy Central North	0.00	0.00	0.00	180	180	Energy Central North	0.00
126	126	Energy Central West	0.00	0.00	0.00	181	181	Energy Central West	0.00
127	127	Energy Central East	0.00	0.00	0.00	182	182	Energy Central East	0.00
128	128	Energy Central South	0.00	0.00	0.00	183	183	Energy Central South	0.00
129	129	Energy Central North	0.00	0.00	0.00	184	184	Energy Central North	0.00
130	130	Energy Central West	0.00	0.00	0.00	185	185	Energy Central West	0.00
131	131	Energy Central East	0.00	0.00	0.00	186	186	Energy Central East	0.00
132	132	Energy Central South	0.00	0.00	0.00	187	187	Energy Central South	0.00
133	133	Energy Central North	0.00	0.00	0.00	188	188	Energy Central North	0.00
134	134	Energy Central West	0.00	0.00	0.00	189	189	Energy Central West	0.00
135	135	Energy Central East	0.00	0.00	0.00	190	190	Energy Central East	0.00
136	136	Energy Central South	0.00	0.00	0.00	191	191	Energy Central South	0.00
137	137	Energy Central North	0.00	0.00	0.00	192	192	Energy Central North	0.00
138	138	Energy Central West	0.00	0.00	0.00	193	193	Energy Central West	0.00
139	139	Energy Central East	0.00	0.00	0.00	194	194	Energy Central East	0.00
140	140	Energy Central South	0.00	0.00	0.00	195	195	Energy Central South	0.00
141	141	Energy Central North	0.00	0.00	0.00	196	196	Energy Central North	0.00
142	142	Energy Central West	0.00	0.00	0.00	197	197	Energy Central West	0.00
143	143	Energy Central East	0.00	0.00	0.00	198	198	Energy Central East	0.00
144	144	Energy Central South	0.00	0.00	0.00	199	199	Energy Central South	0.00
145	145	Energy Central North	0.00	0.00	0.00	200	200	Energy Central North	0.00
146	146	Energy Central West	0.00	0.00	0.00	201	201	Energy Central West	0.00
147	147	Energy Central East	0.00	0.00	0.00	202	202	Energy Central East	0.00
148	148	Energy Central South	0.00	0.00	0.00	203	203	Energy Central South	0.00
149	149	Energy Central North	0.00	0.00	0.00	204	204	Energy Central North	0.00
150	150	Energy Central West	0.00	0.00	0.00	205	205	Energy Central West	0.00
151	151	Energy Central East	0.00	0.00	0.00	206	206	Energy Central East	0.00
152	152	Energy Central South	0.00	0.00	0.00	207	207	Energy Central South	0.00
153	153	Energy Central North	0.00	0.00	0.00	208	208	Energy Central North	0.00
154	154	Energy Central West	0.00	0.00	0.00	209	209	Energy Central West	0.00
155	155	Energy Central East	0.00	0.00	0.00	210	210	Energy Central East	0.00
156	156	Energy Central South	0.00	0.00	0.00	211	211	Energy Central South	0.00
157	157	Energy Central North	0.00	0.00	0.00	212	212	Energy Central North	0.00
158	158	Energy Central West	0.00	0.00	0.00	213	213	Energy Central West	0.00
159	159	Energy Central East	0.00	0.00	0.00	214	214	Energy Central East	0.00
160	160	Energy Central South	0.00	0.00	0.00	215	215	Energy Central South	0.00
161	161	Energy Central North	0.00	0.00	0.00	216	216	Energy Central North	0.00
162	162	Energy Central West	0.00	0.00	0.00	217	217	Energy Central West	0.00
163	163	Energy Central East	0.00	0.00	0.00	218	218	Energy Central East	0.00
164	164	Energy Central South	0.00	0.00	0.00	219	219	Energy Central South	0.00
165	165	Energy Central North	0.00	0.00	0.00	220	220	Energy Central North	0.00
166	166	Energy Central West	0.00	0.00	0.00	221	221	Energy Central West	0.00
167	167	Energy Central East	0.00	0.00	0.00	222	222	Energy Central East	0.00
168	168	Energy Central South	0.00	0.00	0.00	223	223	Energy Central South	0.00
169	169	Energy Central North	0.00	0.00	0.00	224	224	Energy Central North	0.00
170	170	Energy Central West	0.00	0.00	0.00	225	225	Energy Central West	0.00
171	171	Energy Central East	0.00	0.00	0.00	226	226	Energy Central East	0.00
172	172	Energy Central South	0.00	0.00	0.00	227	227	Energy Central South	0.00
173	173	Energy Central North	0.00	0.00	0.00	228	228	Energy Central North	0.00
174	174	Energy Central West	0.00	0.00	0.00	229	229	Energy Central West	0.00
175	175	Energy Central East	0.00	0.00	0.00	230	230	Energy Central East	0.00
176	176	Energy Central South	0.00	0.00	0.00	231	231	Energy Central South	0.00
177	177	Energy Central North	0.00	0.00	0.00	232	232	Energy Central North	0.00
178	178	Energy Central West	0.00	0.00	0.00	233	233	Energy Central West	0.00
179	179	Energy Central East	0.00	0.00	0.00	234	234	Energy Central East	0.00
180	180	Energy Central South	0.00	0.00					

CANADA

Indices

[illegible]

Nasdaq national market, 2.30pm prices

LONDON Chief price changes
(in pence unless otherwise indicated)

RISERS			GKN	
Ex 13% '98	£1154	+ %4-+	M L Hedges	260
Appledore	335	21	McCarthy & S	278
BAT Inds	203	+12	Marks & S	182
Blue Circle	803	+17	Owen Owen	540
Boots	217	+ 6	Paterson Zoch	215
BP	576	+11	Pilkington	285
Britoil	123	+11	Prestwich	208
Bolmer (BP)	223	+12	Racal Elec	128
Cable (Clen)	132	+13	Relyon	180
Can Gold	486	+21	Smith Bros	178
Cope Alland	252	+12	Taylor Woodrow	551
Cray Elec	233	+13	Vaux	378
GREC	166	+ 6		
Glass Bros	238	+ 8	FALLS	
Goodman Bros	34	+ 5	Channel Tun	150
			England (E)	46

North American quarterly results

KELLOGG Breakfast cereals			WARRIOR-LAMBERT Health care products			WILLIAMS COE Fertilizers		
Third quarter	1985	1984	Third quarter	1985	1984	Third quarter	1985	1984
	\$	\$		\$	\$		\$	\$
Revenue	530.4	618.9	Revenue	523.5	798.5	Revenue	552.5	617.2
Net profits	25.5	25.5	Net profits	60.5	55.4	Net profits	119.4	1.4
Per share	0.35	0.35	Net per share	0.78	0.71	Net per share	16.57	0.03
Nine months			Net per share			Nine months		
Revenue	1,590	1,650	Revenue	2,430	2,370	Revenue	2,320	2,620
Net profits	31.5	26.6	Net profits	157.5	172.7	Net profits	39.5	132.5
Per share	1.17	1.06	Net per share	2.39	2.15	Net per share	0.85	3.07
						Loss		
SELF CANADA Natural resources			WHITE CONSOLIDATED INC. Household appliances			<div>WORLD STOCK MARKET</div> <div>CHECK EVERY DAY IN THE FT</div>		
Third quarter	1985	1984	Third quarter	1985	1984			
	C\$	C\$		\$	\$			
Revenue	953	507	Revenue	1,250	1,540	Revenue	476.1	445.5
Net profits	74	57	Net profits	35.1	25.7	Op. net profits	7.4	10
Per share	0.53	0.35	Net per share	0.62	0.45	Op. net per share	0.44	0.35
Nine months			Net per share			Revenue	1,510	1,50
Revenue	1,940	1,470	Net	45	45.70	Op. net profits	2.9	46.8
Net profits	940	220	Net	136.5	136.1			
Per share	4.0	1.01	Net per share	2.5				

BELGIUM
LUXEMBOURG

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LUXEMBOURG

World value of the pound
every Tuesday in the
FINANCIAL TIMES
the newspaper

FINANCIAL TIMES
BUSINESS NEWSPAPER

FILED
EUROPEAN

Quarterly results

WILLIAMS COS.
Sewer, fertilizers

Quarter	1965 \$	1964 \$	Third quarter	1965 \$
Operating income	1,000,000	1,000,000	1,000,000	1,000,000
Income taxes	100,000	100,000	100,000	100,000
Minority interest	100,000	100,000	100,000	100,000
Income available to common stockholders	800,000	800,000	800,000	800,000
Dividends	100,000	100,000	100,000	100,000
Retained earnings	700,000	700,000	700,000	700,000
Total	1,800,000	1,800,000	1,800,000	1,800,000

Revenue	828.9m	736.5m	Revenue	532.1m
Net profits	80.9m	56.8m	Net profits	11.9m

Net per share	0.78	0.71	Net per share	0.40	0.30
Nine months			Nine months		
Revenue	2.43bn	2.37bn	Revenue	2.43bn	2.37bn

1997-1998	187.5m	172.7m	Net profits	28.0m
1998-1999	2.30	2.16	Net per share	2.16

MECH. WATER. INC.

id appliances

	1985	1984
\$	\$	\$
474.1m	445.5m	

WORLD STOCKS

7.4m	18m
0.44	0.96

151bn	1.5bn
27.4m	48.6m

for share	1.65	2.00
-----------------	------	------

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

Abstract The purpose of this study was to determine the effect of a 12-week training program on the physical fitness of 10-year-old children. The study was conducted in a primary school in the city of Ankara, Turkey. The study group consisted of 20 children (10 boys and 10 girls) who were randomly selected from the 10-year-old children in the school. The children were divided into two groups: a control group and an experimental group. The control group did not participate in any physical education program, while the experimental group participated in a 12-week training program. The physical fitness of the children was measured at the beginning and at the end of the 12-week period. The measurements included maximum heart rate, maximum oxygen consumption, maximum power, maximum speed, and maximum endurance. The results of the study showed that the experimental group had significantly higher values for all five measurements at the end of the 12-week period compared to the control group. The results suggest that a 12-week training program can improve the physical fitness of 10-year-old children.

* χ^2 test, $p < 0.05$.

Continued on Page 33

12 Month	Stock	High	Low	Open	Close	Volume	Change
12 Month	AA	10.00	9.50	9.75	9.60	100	-0.15
12 Month	AB	11.00	10.50	10.75	10.60	100	-0.15
12 Month	AC	12.00	11.50	11.75	11.60	100	-0.15
12 Month	AD	13.00	12.50	12.75	12.60	100	-0.15
12 Month	AE	14.00	13.50	13.75	13.60	100	-0.15
12 Month	AF	15.00	14.50	14.75	14.60	100	-0.15
12 Month	AG	16.00	15.50	15.75	15.60	100	-0.15
12 Month	AH	17.00	16.50	16.75	16.60	100	-0.15
12 Month	AI	18.00	17.50	17.75	17.60	100	-0.15
12 Month	AJ	19.00	18.50	18.75	18.60	100	-0.15
12 Month	AK	20.00	19.50	19.75	19.60	100	-0.15
12 Month	AL	21.00	20.50	20.75	20.60	100	-0.15
12 Month	AM	22.00	21.50	21.75	21.60	100	-0.15
12 Month	AN	23.00	22.50	22.75	22.60	100	-0.15
12 Month	AO	24.00	23.50	23.75	23.60	100	-0.15
12 Month	AP	25.00	24.50	24.75	24.60	100	-0.15
12 Month	AQ	26.00	25.50	25.75	25.60	100	-0.15
12 Month	AR	27.00	26.50	26.75	26.60	100	-0.15
12 Month	AS	28.00	27.50	27.75	27.60	100	-0.15
12 Month	AT	29.00	28.50	28.75	28.60	100	-0.15
12 Month	AU	30.00	29.50	29.75	29.60	100	-0.15
12 Month	AV	31.00	30.50	30.75	30.60	100	-0.15
12 Month	AW	32.00	31.50	31.75	31.60	100	-0.15
12 Month	AX	33.00	32.50	32.75	32.60	100	-0.15
12 Month	AY	34.00	33.50	33.75	33.60	100	-0.15
12 Month	AZ	35.00	34.50	34.75	34.60	100	-0.15
12 Month	BA	36.00	35.50	35.75	35.60	100	-0.15
12 Month	BB	37.00	36.50	36.75	36.60	100	-0.15
12 Month	BC	38.00	37.50	37.75	37.60	100	-0.15
12 Month	BD	39.00	38.50	38.75	38.60	100	-0.15
12 Month	BE	40.00	39.50	39.75	39.60	100	-0.15
12 Month	BF	41.00	40.50	40.75	40.60	100	-0.15
12 Month	BG	42.00	41.50	41.75	41.60	100	-0.15
12 Month	BH	43.00	42.50	42.75	42.60	100	-0.15
12 Month	BI	44.00	43.50	43.75	43.60	100	-0.15
12 Month	BJ	45.00	44.50	44.75	44.60	100	-0.15
12 Month	BK	46.00	45.50	45.75	45.60	100	-0.15
12 Month	BL	47.00	46.50	46.75	46.60	100	-0.15
12 Month	BM	48.00	47.50	47.75	47.60	100	-0.15
12 Month	BN	49.00	48.50	48.75	48.60	100	-0.15
12 Month	BO	50.00	49.50	49.75	49.60	100	-0.15
12 Month	BP	51.00	50.50	50.75	50.60	100	-0.15
12 Month	BQ	52.00	51.50	51.75	51.60	100	-0.15
12 Month	BR	53.00	52.50	52.75	52.60	100	-0.15
12 Month	BS	54.00	53.50	53.75	53.60	100	-0.15
12 Month	BT	55.00	54.50	54.75	54.60	100	-0.15
12 Month	BU	56.00	55.50	55.75	55.60	100	-0.15
12 Month	BV	57.00	56.50	56.75	56.60	100	-0.15
12 Month	BW	58.00	57.50	57.75	57.60	100	-0.15
12 Month	BX	59.00	58.50	58.75	58.60	100	-0.15
12 Month	BY	60.00	59.50	59.75	59.60	100	-0.15
12 Month	BZ	61.00	60.50	60.75	60.60	100	-0.15
12 Month	CA	62.00	61.50	61.75	61.60	100	-0.15
12 Month	CB	63.00	62.50	62.75	62.60	1	

Continued on Page 31

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Fed policy speech sets firm tone

COMMENTS on Federal Reserve policies from Mr Paul Volcker, the chairman, took Wall Street financial markets confidently into the first leg of the Treasury's \$17.75bn funding programme yesterday, writes Terry Byland in New York.

Renewed demand for blue chips pushed the Dow Jones industrial average to a new peak at mid-session, and bonds gained more than a point on reports of strong demand at the day's auction of \$6.75bn four-year Treasury notes.

At 3 pm the Dow Jones industrial average was 12,777 up at 1,372.78. This compared with the record closing high of 1,369.29 set on October 17.

The stock market was led forward by technology stocks. Texas Instruments recouped \$1 1/2 to \$92 after falling sharply in the two previous sessions in response to trading figures.

Pharmaceuticals also advanced and takeover stocks provided many features. The broader market also strengthened as buying spread across the full range.

Strong demand for IBM, up \$1 at \$130 1/2, and a rally in General Motors, up \$ 1/2 at \$85 1/2, gave the market a good start. Digital Equipment added \$ 1/2 to \$112 1/2, and other big computer names to

find buyers included Burroughs, up \$ 1/2 at \$56 1/2 and Honeywell, 5 1/2 better at \$59 1/2.

However, Control Data slipped \$ 1/2 to \$17 1/2 as the market continued to digest its trading statement.

Xerox, the office copier manufacturer, jumped \$ 1 1/2 to \$50, reflecting Wall Street's satisfaction with third-quarter results, which included financial charges against the insurance division.

It was a busy session for the Wall Street securities firms themselves. Bear Stearns, the major securities trader, shed its private corporation status with a public issue of 10m shares at \$21.50 each. Phibro-Salomon put on \$1 1/2 to \$38 as investors viewed favourably the group's reduced role in the Philipp Bros commodity trading arm.

However, E F Hutton held unchanged at \$33 1/2 after the firm agreed to appoint a consultant to review internal audit procedures in the wake of the cheque overdrafting problems which have brought further comments from the SEC.

Renewed signs that the dollar is on the way down brought sharp gains in pharmaceuticals. Merck, a component of the Dow average, jumped \$2 to \$114, and Pfizer at \$45 1/2 added \$ 1/2.

Bid situations returned to centre stage. However, the vacuum cleaner company, was suspended ahead of Chicago Pacific's agreement to pay \$43 a share for the equity. Hoover returned to trade at \$42 1/2, a net gain of \$1 as some speculators bailed out, disappointed that the revised terms were not higher.

Rumours of a rival bid for Hoover from Scott & Fetzer were scotched when Scott agreed to its own acquisition by Berkshire Hathaway at \$35 a share.

Speculative buyers of Chase-Brown-Pond's returned in force, pushing the stock up \$ 1 1/2 to \$43 1/2 on hints of an impending bid move from Unilever, the Anglo-Dutch food and cosmetics group recently thwarted in its pursuit of Richardson-Vicks.

Huge turnover in Beatrice Foods left the stock down \$ 1/2 at \$43 1/2. Kellogg, the breakfast food group, bounced up \$2 to \$65 1/2 after reporting higher profits and a stock split.

Airline stocks looked irregular, with United down \$1 at \$47 in response to the latest trading news. The other domestic carriers also eased but Pan Am edged up \$ 1/2 to \$7 1/2 as bid hopefuls kept the stock on the boil.

Enersuch, the natural gas company, added \$ 1/2 to \$23 1/2 on the results, while an increased dividend brought buyers back in for Warner-Lambert.

But GCA, the semiconductor manufacturer, fell a sharp \$1 1/2 to \$9 1/2 after announcing a trading loss and a technical loan default.

In the credit market, bond prices sharply extended early gains towards mid-session on favourable reports from the auction of Treasury securities. Prices had opened strongly after Mr Volcker said Fed policy was "relatively accommodative".

The key long bond showed a gain of more than one point. However, dealers commented that the serious test for the market will come when Thursday's auction of 20-year bonds will disclose the level of foreign, and particularly Japanese, interest in U.S. bonds.

Short-term yields edged lower, helped by federal funds continuing below 8 per cent. Further drawing of reserves by the Fed, with two-day technical factors, was ascribed to purely technical factors.

The Dow Jones industrial 30 share average took in two newcomers at yesterday's close when Philip Morris and McDonald's joined its list. They replace General Foods and American Brands, respectively.

TOKYO

Blue chip sales bring downturn

A LACKLUSTRE day's trading was seen in Tokyo yesterday despite a pick-up in business volume, with the start of transactions for delivery in November, writes Shigeo Nishikawa of Nippon Press.

The return to a downward trend, after Monday's rebound, came as investors sold blue chip electricals and precision instrument stocks.

The Nikkei market average lost 23.12 to 12,913.92 on a volume of 338.8m shares against Monday's 245.3m. Losses outnumbered gains 448 to 343, with 134 issues unchanged.

Trading usually rises on the first day of transactions for delivery the following month, but yesterday's volume was the thinnest for such a day this year, falling below the 491m-share low in late February.

Large-capital stocks such as steels and shipbuilding were in an adjustment phase and investors remained on the sidelines as leading brokerage houses suffered from a drop on the new bond futures market, where they had invested heavily.

Investors sold blue chips, pushing NEC down Y20 to Y1,180 and Sony Y150 to Y3,900. Minolta lost Y8 to Y984 and Konishiroku Y17 to Y730. Hitachi and Canon shed Y20 each to Y720 and Y1,230, respectively.

Large-capital issues turned up slightly in the afternoon, supported by the yen's appreciation against the dollar, but trading was slow. Nippon Steel added Y2 to Y165 and Mitsubishi Heavy Industries Y6 to Y395.

Speculators began to take capital gains by buying high-priced issues with a par value of Y500. Kokusai Densohin Denwa (KDD) rose Y2,000 to Y25,900 and Arabian Oil Y500 to Y3,680, both daily limit rises. Japan Air Lines (JAL) rose Y300 to Y6,310 and Nippon Television Network Y250 to Y3,100.

Oils firmed on the yen's appreciation, with Nippon Oil rising Y44 to Y795. Showa Shell Sekiyu firmed Y28 to Y468 and Toa Nenryo Y30 to Y1,080.

Among biotechnologies, Dainippon Pharmaceutical rose Y80 to Y3,090, Green Cross Y50 to Y2,200 and Yamamoto Pharmaceutical Y10 to Y3,380. Trading continued sluggish on the

bond market, reflecting investors' concern over the Bank of Japan's policy to guide short-term interest rates higher. But securities houses, which unloaded their holdings during the fall, started buying back and halted the decline.

The yield on the benchmark 6.8 per cent government bond maturing in December 1994 eased to 6.470 per cent from Monday's 6.830 per cent. The hull on the cash market halted the slide on the futures market, but institutional investors and brokers remained uneasy about the outlook for both markets.

LONDON

RENEWED demand from institutions and private investors, following an excellent interim from Marks & Spencer, sent London to new peaks.

The upturn came in spite of a gloomy report from the Confederation of British Industry, the employers' organisation, and the FT Ordinary share index closed up 12.7 to a record 1,061.3.

Marks & Spencer added 17p to 182p after its statement while Boots was up 8p to 217p in active trading.

Gilts edged forward with selected longer-dated maturities regaining % of Monday's sharp losses.

Chief price changes, Page 31; Share information service, Page 30; Details, Page 28-29

SINGAPORE

AFTER an early upturn due to speculative buying profit-takers moved in to take Singapore lower in quiet trading.

However, industrials, which fell sharply on Monday after disappointing results at the Malaysian budget, regained some of their losses. Cold Storage added 6 cents to S\$3.16, and Singapore Press firmed 5 cents to S\$6.45.

Banks were generally steady to lower with Malay Banking 5 cents down at S\$5.95 and UOB 2 cents down at S\$3.62. OCB at S\$8.40, OUB at S\$2.76 and Tat Lee at S\$2.51, were all unchanged.

Elsewhere, Arab Malaysian Development, the most active share of the day, closed steady at 90 cents.

SOUTH AFRICA

LATE buying interest helped most golds to close firmer in Johannesburg. Driefontein added 25 cents to R49.50, Vaal Reef rose R3.50 to R196.50 but Buffels slipped R1 to R75.50.

Other mining and mining financials followed the firmer trend with diamond share De Beers 35 cents up at R14.60, Rustenburg Platinum 50 cents higher at R25.25 and Anglo American up 25 cents at R34.50.

AUSTRALIA

PROFIT-TAKING led Sydney to its sharpest fall in more than a month as BHP continued to slide.

The All Ordinaries index closed 12.8 down at 1,032.5 with brokers warning that the market was starting a correction phase. The metals and mining index fell 7.5 to 517.8.

BHP, which slid 26 cents on Monday, lost another 28 cents to A\$3.56.

Concern about lacklustre world metal prices also affected the market, particularly mining stocks which closed lower. CSR fell 6 cents to A\$3.52 and MIM shed 4 cents to A\$2.35 and Hill was 11 cents down at A\$2.53.

Western Mining fell 11 cents to A\$3.53. Golds followed the declining trend with Poseidon down 5 cents to A\$3.70 and Kidston 20 cents lower at A\$5.50.

Banks were under selling pressure and Westpac fell 15 cents to A\$4.95 on reports, later denied, that it was planning to acquire a major U.S. bank. ANZ was down 6 cents to A\$5.02, and National Australia was down 2 cents to A\$4.93.

CANADA

THE TORONTO Stock Exchange has firmed its pioneering computer assisted trading system (Cats) to the Paris bourse, which will be able to extend trading to overlap with North American markets for several hours a day, writes Bernard Simon in Toronto.

Under the agreement Toronto will process all transactions in 50 active Paris stocks on its computers for the next two to three years at a cost of C\$1.1m. Toronto will license Cats software to the bourse for 99 years.

The Paris exchange is expected to install up to 150 Cats terminals in members' offices. A group of 22 Paris traders will visit Toronto next month to train on the system.

Toronto claims Cats is one of the world's most advanced electronic trading systems. It eliminates the need for floor traders by matching buyers and sellers through computers.

The system automatically updates trading information, sends confirmation of trades to buyers and sellers and retains records of transactions.

Australia and several other European stock exchanges have also expressed interest in acquiring rights to Cats.

The upturn continued in Toronto which traded marginally higher. Among active shares, Bank of Montreal shed C\$ 1/2 to C\$30, Canadian Imperial Bank of Commerce rose C\$ 1/2 to C\$33 and Dome Petroleum fell 3 cents to C\$2.55.

In Montreal all groups, except mine, traded higher.

KEY MARKET MONITORS



STOCK MARKET INDICES	Oct 29	Previous	Year ago
NEW YORK			
DJ Industrials	1,372.78	1,369.29	1,201.41
DJ Transport	651.45	645.80	525.02
DJ Utilities	161.01	159.26	141.41
S&P Composite	555.35	557.76	464.78
LONDON			
FT Ord	1,061.3	1,048.6	855.1
FT-SE 100	1,364.4	1,347.8	1,136.1
FT-A All-share	664.84	658.12	540.23
FT-A 500	728.29	719.09	598.00
FT Gold mines	248.4	232.3	510.4
FT-A Long gilt	10.33	10.39	10.40
TOKYO			
Nikkei	12,913.92	12,937.04	11,176.9
Tokyo SE	1,019.00	1,020.90	853.65
AUSTRALIA			
All Ord.	1,032.6	1,045.6	750.8
Metals & Mins.	517.2	524.6	441.6
AUSTRIA			
Credit Aktien	98.03	98.03	57.27
BEELGIUM			
Belgian SE	2,752.54	2,716.28	-
CANADA			
Toronto			
Metals & Mins	1,752.1	1,760.9	1,532.0
Composite	2,648.7	2,637.2	2,353.0
Montreal			
Porteur	127.19	126.3	115.7
DEUTSCHLAND			
SE	n/a	236.11	168.48
FRANCE			
CAC Gen	218.3	218.4	181.9
Ind. Tendance	123.0	122.8	97.9
WEST GERMANY			
FAZ-Aktien	578.81	574.90	363.82
Commerzbank	1,712.8	1,284.7	1,092.0
HONG KONG			
Hang Seng	1,854.03	1,851.25	1,038.30
ITALY			
Banca Comm.	408.90	404.08	209.87
NETHERLANDS			
ANP-CBS Gen	224.2	224.7	179.9
ANP-CBS Ind	203.2	204.5	142.1
NORWAY			
Oslo SE	386.20	381.23	288.71
SINGAPORE			
Straits Times	789.68	772.70	842.94
SOUTH AFRICA			
JSE Golds	-	1,088.7	1,030.7
JSE Industrials	-	948.8	859.3
SPAIN			
Madrid SE	124.83	125.82	102.39
SWEDEN			
J & P	1,439.78	1,448.30	1,462.78
SWITZERLAND			
Swiss Bank Ind	501.5	501.2	379.5
WORLD			
Capital Int'l	228.8	228.5	184.1

CURRENCIES	Oct 29	Previous	Year ago
(London)			
\$	2.621	2.643	1.435
DM	212.3	213.5	3.765
Yen	8.025	8.055	304.75
FFr	2.148	2.167	11.4975
SwFr	2.988	2.9815	3.0925
Guilder	1,770.0	1,782.5	4.225
Lira	53.2	53.55	2,544.5
Bfr	1.365	1.368	76.45
CS			1,5594

INTEREST RATES	Oct 29	Previous
(3-month offered rate)		
SwFr	11 1/2%	11%
DM	4%	4 1/4%
FFr	8 1/2%	8 1/4%
FFr	9 1/2%	9 1/4%
FT London interbank fixing (offered rate)		
3-month U.S.\$	8%	8%
6-month U.S.\$	7 1/2%	7 1/4%
U.S. Fed Funds	7 1/2%	7 1/2%
U.S. 3-month GDS	7.10%	7.10%
U.S. 3-month T-bills	7.10%	7.20%

U.S. BONDS	Oct 29	Previous
Treasury		
8% 1987	100 1/2	98 1/2
10% 1992	101 1/2	101 1/2
10% 1995	102 1/2	101 1/2
10% 2015	102 1/2	100 1/2
Treasury Index		
1-30	130.17	130.17
1-10	128.70	128.70
1-3	125.67	125.67
3-5	130.29	130.29
15-30	135.32	135.32

FINANCIAL FUTURES	Oct 29	Previous
Corporate		
AT & T	101 1/2	101 1/2
10% June 1990	83 1/2	82 1/2
3% July 1990	83 1/2	82 1/2
8% May 2000	83 1/2	82 1/2
Xerox		
10% Mar 1993	100 1/2	100 1/2
Diamond Shamrock		
10% May 1993	98 1/2	98 1/2
Federated Dept Stores		
10% May 2013	95 1/2	94 1/2
Alcoa		
11% Feb 2013	103 1/2	103 1/2
Alcoa		
12% Dec 2012	98 1/2	98 1/2

COMMODITIES	Oct 29	Previous
(London)		
Silver (spot fixing)	430.90p	432.25p
Copper (cash)	£963.75	£968.00
Coffee (Nov)	£1,798.50	£1,830.00
Oil (spot Arabian Light)	\$27.95	\$27.75
GOLD (per ounce)		
Oct 29		
London	\$326.00	\$326.75
Zurich	\$326.25	\$326.75
Paris (fixing)	\$327.56	\$327.61
Luxembourg	\$326.75	\$326.50
New York (Dec)	\$329.50	\$328.70

EUROPE

Takeovers dominate Frankfurt

CORPORATE takeovers continued to dominate a mixed Frankfurt session where the Commerzbank index gained 5.3 to 1,712.8.

Daimler-Benz soared on strong foreign demand, adding DM 20 to DM 1,104 after a long period of relatively small gains following its bid for the electrical group, AEG. Meanwhile, AEG rose another DM 6 to DM 283 on speculation that Daimler will improve its DM 170 per share offer for all outstanding AEG shares.

Deutsche Bank, which will act for the expanded Daimler empire, gained DM 9.50 to DM 685.

Deutsche Babcock put on DM 5 to DM 220 on speculation that machinery-maker Linde is investigating a purchase of part of Babcock. Babcock denies the rumours. Linde lost DM 3 to DM 585.

In chemicals, news that Bayer expects 1985 to be its best post-war financial year failed to protect the sector from profit-taking and Bayer fell DM 4 to DM 253, BASF DM 3.30 to DM 263.70 and Hoechst DM 3.60 to DM 253.20.

Bonds were mostly static with gains of only 10 pf seen as a technical reaction to losses during the past six trading days.

Investors in Brussels who were expecting a phase of consolidation after Monday's downturn were yesterday surprised when stocks sharply rebounded.

Buying in Groupe Bruxelles Lambert led the market upwards and the stock added Bfr 200 to Bfr 2,650 in record turnover.

An Amsterdam dominated by overseas investors ended mixed with the ANP-CBS slipping from its previous day's record high of 224.7 to end at 224.2.

Banks kept their firmness and Unilever rose Ff 2.40 to Ff 343.90. Limited buying of bonds after Monday's slump in U.S. bond prices left the market mixed.

Zurich was stable after the previous session's bout of profit-taking, but sentiment about the direction of prices remained divided.

Bonds ended steady with a slightly weaker bias.

Paris turned mixed to higher as investors moved to take profits on the market's recent advance and reinvested in issues which have lagged behind the surge.

Engineering and construction shares were favoured while electronics and food issues came under pressure after recent gains.

Stockholders turned lower after a three-day rally as investors took profits. Hopes that Italy's present political crisis may soon be resolved buoyed sentiment in a higher Milan while prices fell in a quiet Madrid.

HONG KONG

A LACK of fresh incentives left Hong Kong mixed after a dull day's trading. A measure of buying interest during the day gave a slight lift to the market and the Hang Seng index closed 2.76 up at 1,854.03.

Utilities, after weakening on Monday, closed generally steady with Hongkong and China Gas at HK\$11.20, Hongkong Electric at HK\$8.20 and Hongkong Telephone at HK\$9.00. China Light firmed 10 cents to HK\$16.80. Banks were generally down.

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